



The voice for water consumers
Llais defnyddwyr dŵr

**CCW's response to
Ofwat's 2025-30 Draft Price Determination
for Wessex Water**

28 August 2024

1. Introduction

The Consumer Council for Water (CCW) is the statutory consumer organisation representing household and non-household water and sewerage consumers in England and Wales. We welcome the opportunity to respond to Ofwat's Draft Determination for Wessex Water.

2. Executive Summary

Overall view

Wessex Water's business plan has been categorised as 'inadequate' within the draft determination and has seen significant challenge to its cost efficiencies resulting in reduced bills over the 5 years before inflation.

Wessex Water has also seen challenges to its ambition to deliver outcomes for customers and has been stretched on a number of performance targets¹. Ofwat is asking the company to reassess the deliverability of its plan. It requires Wessex Water either to provide assurance that it can deliver, or put forward proposals for a delivery mechanism.

CCW is assured that Ofwat's interventions mean customers will not pay more than is necessary for the service they receive. Customers may support a bill reduction but it is clear from the company's research and the testing of the business plan² that Wessex customers want to see investment to improve services and the environment. We don't believe that the draft determination achieves this.

Wessex's Draft Determination is likely to be subject to change by the Final Determination, particularly as the statutory investment programme is not compliant with regulatory requirements³. This means the draft determination may not be a realistic picture of the bill changes, investment and improvements customers want to see by 2029-30.

We recognise that in order to improve service performance for customers and the environment, the Draft Determination has to balance delivering for customers and the environment efficiently whilst securing the capital investment that is required to make this happen.

¹ [Key Data Set 1 V4](#)

² Page 55 [Customer Research Triangulation \(wessexwater.co.uk\)](#)

³ Page 6 [Overview-of-Wessex-Waters-PR24-draft-determination.pdf \(ofwat.gov.uk\)](#)

In return for this, it is vital that the outcome sees Wessex Water deliver the commitments its customers want to see, and demonstrates that what they are getting that is tangibly better than now in terms of service performance and environmental improvements.

If this means that in the lead-up to the Final Determination, Ofwat applies a delivery mechanism to ensure costs are allowed only if assurance of delivery is secured, CCW would agree with this approach. We would expect Wessex and Ofwat to be transparent with CCW about the requirements for this.

Customer trust in the sector has declined in CCW's annual Water Matters surveys⁴, and Ofwat's recent research⁵ has found that only 38% trust their water company to provide them with good value for money. Additionally, joint research between CCW and Ofwat shows that less than a quarter (23%) of people trust their water company to do what's right for the environment⁶. PR24 must be a strong driver for Wessex to address these worrying trends. We want all companies to demonstrate a culture of transparency and regularly update customers on their progress against this in order to improve customer satisfaction and trust.

We are disappointed that it has not been possible to understand how customer preferences have been considered in Ofwat's decisions. Although the overview documents are an improvement on previous years, they should be improved further so that customers can see the targets companies should meet each year compared to current performance, and the expenditure they have been allowed to deliver these improvements.

CCW recognises that Ofwat grades water companies' business plans to incentivise them to deliver strong evidence and propose efficient costs. CCW believes companies already have enough incentives through actual delivery of their plans. We want to see business plans assessed so that companies are penalised for poorly evidenced plans rather than rewarded for the basic company responsibility to write a decent business plan. Although Ofwat has measures to claw back money if plans are not delivered, CCW does not believe there should be a financial reward taken out of bill payers' pockets for merely writing a robust business plan.

What we support and why

⁴ [Water Matters 2024 - CCW](#) shows significant shifts across nearly every metric that we use to measure people's views. In many cases, these were the lowest scores recorded in the thirteen years of Water Matters.

⁵ [Wave Five of Ofwat's Cost of Living research](#) (undertaken in March)

⁶ [Customer Spotlight: People's views and experiences of water 2024 - CCW](#)

- Ofwat's challenge to the company's proposed costs, as customers should be assured that allowed expenditure is efficient and any poorly evidenced investment is challenged, although there will likely be a bill increase for customers at Final Determination.
- We support the cost of investment being spread over the long term meaning that both benefits and cost are shared with current and future customers.
- Ofwat has rejected Wessex's cost adjustment claims of £228 million for what it felt were factors that hadn't been considered that would cause efficient base expenditure to increase over time. The claims failed 'need for adjustment' and 'cost efficiency' tests.
- We support more stretching targets for PCs (excluding supply interruptions, external sewer flooding, and leakage) which improve outcomes for customers.
- Customers placed a high priority on the reliability and resilience of water supplies in the customer engagement Wessex carried out to inform its business plan⁷. So CCW supports investment in water resources over 2025-30.
- Company research shows that customers place a priority on the security of their supplies,⁸ so we support the twin track approach in the WRMP of increasing and maximising availability of water supplies, whilst also reducing the demand for water through reduced consumption and leakage.
- CCW supports the allowances given to Wessex for smart metering and water efficiency work. But we want further clarity about the smart metering programme to help reduce household and business demand, and the expectations this investment implies for leakage reduction and tariff development.
- We agree with Ofwat that without an adequate long-term strategy, a company is likely to struggle to deliver resilient services in the future or ensure improved environmental outcomes. The lack of an adequate long-term delivery strategy is likely to have a material impact on the company's ability to deliver for customers and the environment over the long term. We support making sure that Wessex Water's long-term plan is deliverable and sustainable to ensure that outcomes are met for customers.

⁷ Page 49 [Customer Research Triangulation \(wessexwater.co.uk\)](https://www.wessexwater.co.uk)

⁸ Page 78 [Customer Research Triangulation \(wessexwater.co.uk\)](https://www.wessexwater.co.uk)

- Ofwat’s proposal to set assumed energy costs at a baseline reflecting the Government’s industrial use index, and ‘true up’ at PR29 if companies’ actual costs are lower or higher. This protects customers from the risk of paying too much ‘up front’.
- The reduction of notional gearing to 55%⁹ as higher leveraged capital structures have risks for customers.
- The move to encourage more companies to have an equity listing¹⁰, as it allows for greater transparency and governance in the company’s financial structure.
- The introduction of the BR-MeX incentive better customer service for business customers.
- The use of Price Control Deliverables and other protections in place to remunerate customers in the event of failure or delay in delivering.
- The absolute zero target for the serious pollution incidents PC and the proposed introduction of a new measure for serious water supply interruptions.

What we have concerns with and want to see in the Final Determination

- While we support Ofwat’s challenge to ensure totex is efficient, it must also reflect the cost of delivering customers’ expectations for environmental improvements, as shown in Wessex research.¹¹
- We would like to see Wessex’s leakage target to be, at minimum, what Wessex Water had originally set and not the lower target set in the draft determination. This was an important issue for Wessex Water customers.¹²
- We supported Wessex Water’s commitment to eradicate water poverty in its business plan but felt it lacked detail about how it will achieve this. This has also not featured in Ofwat’s draft determination but we would like to see greater detail about how Wessex will achieve this.

⁹ Page 7: [PR24-draft-determinations-Aligning-Risk-and-Return-Allowed-Return-Appendix.pdf \(ofwat.gov.uk\)](#)

¹⁰ In the same way that FTSE index companies have listed equity

¹¹ Page 55 [Customer Research Triangulation \(wessexwater.co.uk\)](#)

¹² <https://corporate.wessexwater.co.uk/media/34tlebfx/ws06-customer-research-triangulation.pdf> page 78

- In our assessment of Wessex Water's business plan, we expressed disappointment that Wessex will not add to its social tariff cross subsidy using company profits or make any further movement on outperformance sharing. This has not featured in Ofwat's draft determination.
- There has been a significant cut in the allowance for nature based solutions. CCW would like to see Ofwat review the cost allowance if Wessex provide suitable evidence. We support giving companies the space to use nature based solutions and our research shows customer preference for this.¹³
- We support the allowances given to Wessex for smart metering and water efficiency work but we want more clarity about the smart metering programme to help reduce household and business demand, and the expectations this investment implies for leakage reduction and tariff development.
- We fully support the concept of C-MeX. However, we are disappointed that, after extensive engagement with Ofwat, an additional metric to measure customer complaint volumes is not part of the range of C-MeX components. This is a missed opportunity to incentivise a reduction in customer complaints.

We do support the inclusion of the other measures of customer experience in C-MeX. This includes the increased weighting on customer contact surveys and use of cross sector comparators.

- We are disappointed that Ofwat has withdrawn the Gearing Outperformance Sharing Mechanism in its Draft Determinations and would like to see it reinstated. The principle of this mechanism should act as an extra safeguard against financial windfalls and an added incentive to reduce high risk gearing.
- In the absence of a performance commitment to track the harm caused by storm overflow spills, we want to see a clear plan from the company which demonstrates its delivery of the storm overflow reduction programme prioritises the spills that cause most frequent harm to rivers and bathing water.
- We wish to see further detail on how the smart metering programme will help reduce household and business demand, and the expectations this investment implies for leakage reduction and tariff development.
- Proposed enhanced Outcome Delivery Incentive (ODI) rates, which could see customers paying more for areas of service they may view as a company's basic responsibility.

¹³ [Keen to go Green? Customer preferences and priorities for waste water solutions - CCW](#)

3. Our detailed comments

Customer acceptability and affordability

CCW is delivering research to test the package of bill changes, service improvements and investments in the Draft Determination for customer acceptability and affordability.

We will be using surveys to test the Determination with a sample of around 500 of Wessex' household customers, and will conduct in-depth interviews with a small sample of non-household customers.

The household customer surveys will follow the same CCW and Ofwat guidance companies used for testing their business plans with household customers. This will ensure there is consistency and comparability in the results from the business plan testing.

Our research will provide a definitive measure of customers' views of the Draft Determination and how Ofwat's decisions have impacted customer views.

While the results are not available in time for this response (as discussed and agreed with Ofwat), when Wessex tested its business plan in 2023, it revealed only 16% of customers found the plan affordable, while 58% found the package of improvements acceptable¹⁴.

The current research we are undertaking will show whether the interventions Ofwat has made in the draft determination is more acceptable and affordable for customers.

We will provide the results of the research to Ofwat in September 2024, as the results are not available in time for inclusion in this consultation response.

Bill profile

Before inflation, Wessex customers will see the average bill decrease by 2% (around £12) from 2024-25 to 2029-30¹⁵. The impact of forecast CPI-H inflation each year could see the average bill increase by around 6% over this period.

¹⁴ Page 20 & 43 : [Affordability and acceptability testing reports 2023 \(wessexwater.co.uk\)](https://www.wessexwater.co.uk)

¹⁵ Page 4: [Overview-of-Wessex-Waters-PR24-draft-determination.pdf \(ofwat.gov.uk\)](https://www.ofwat.gov.uk)

This is substantially lower than the 36% (before inflation) increase proposed by Wessex in its revised Business Plan from spring 2024¹⁶.

Whilst CCW welcomes Ofwat's challenge to the company's proposed costs (as customers should be assured that allowed expenditure is efficient and any poorly evidenced investment is challenged), we are concerned about such large scale cut backs in cost allowances, due to its non-compliant plan. Customers may support a bill reduction but it is clear from the company's research and the testing of the business plan¹⁷ that Wessex customers want to see investment to improve services and the environment. We don't believe that the draft determination achieves this in its current form. There is a likelihood that the final determination bill will be significantly higher than the bill in the draft determination. On the assumption that that company rises to this challenge and the final determination is fully compliant, customers are more likely to see a bill increase.

Whilst CCW welcomes Ofwat's challenge to the company's proposed costs (as customers should be assured that allowed expenditure is efficient and any poorly evidenced investment is challenged), we are concerned about such large scale cut backs in cost allowances, due to its non-complaint plan. Customers may support a bill reduction but it is clear from the company's research and the testing of the business plan¹⁸ that Wessex customers want to see investment to improve services and the environment. We don't believe that the draft determination achieves this. in its current form. There is a likelihood that the final determination bill will be significantly higher than the bill in the draft determination. On the assumption that that company rises to this challenge and the final determination is fully compliant, customers are more likely to see a bill increase.

Affordability support

Ofwat has supported Wessex Water's proposed support towards affordability and has not placed any further requirements on the company.¹⁹

In our assessment of Wessex Water's business plan, CCW expressed disappointment that Wessex will not add to its social tariff cross subsidy using company profits or make any further movement on outperformance sharing. This has not featured in Ofwat's draft determination.

CCW supported Wessex Water's commitment to eradicate water poverty in its business plan but felt it was lacking detail on how it will achieve this. This has also not featured in Ofwat's draft determination but we would like to see greater detail on how Wessex will achieve this.

¹⁶ [Key facts and data from water company plans - Ofwat](#)

¹⁷ Page 55 [Customer Research Triangulation \(wessexwater.co.uk\)](#)

¹⁸ Page 55 [Customer Research Triangulation \(wessexwater.co.uk\)](#)

¹⁹ Page 13: [Overview-of-Wessex-Waters-PR24-draft-determination.pdf \(ofwat.gov.uk\)](#)

We welcome Wessex Water's shareholders plan to contribute £40 million (equivalent to 0.35% of the company's return on regulatory equity) split between hardship funds and matched payments for customers repaying debts. It has also pledged to share up to £3.5 million of outperformance to support charities providing assistance to customers struggling to pay.²⁰

In the draft determination Ofwat has highlighted levels of company funding for non-social tariff support. However we note that in doing so it has not distinguished between funding which is specifically committed from profits and that which is being funded as a choice within cost-to-serve allowances, and so paid for by customers. In the interests of transparency we would welcome Ofwat being clear about this in the final determination, and ensuring company commitments can be compared and tracked on a like-for-like basis.

Costs and financing

Cost efficiency challenge

Ofwat reduced Wessex Water's proposed totex by £1.9bn, to £3.7bn²¹. CCW expects Ofwat to remove any poorly evidenced expenditure, inefficient costs and any proposed activities that have been funded previously.

We are concerned that with such large scale backs in cost allowances, attributed to its non-compliant business plan, Wessex's draft determination will not deliver on the asks of its customers in its current form. Ofwat has called for Wessex Water to revisit the scale and efficiency of its cost requests or provide significantly improved evidence to demonstrate why the cost requests are needed, efficient and reasonable.

This means by Final Determination, Wessex needs to provide an investment plan that is compliant with regulatory requirements and justified by the evidence Ofwat has asked for. The costs and bill impacts in the Draft Determination are unlikely to be representative of the final package. This is disappointing as it means without looking at the detail, customers may get the impression that this is a lower cost settlement that will not deliver the improvements they may be expecting.

Much of the investment delivers benefits in the long term so we agree that the recovery of these costs should also be spread over the long term.

²⁰ Page 2: [PR24-draft-determinations-Wessex-Water-Quality-and-Ambition-appendix.pdf \(ofwat.gov.uk\)](#)

²¹ Page 6: [Overview-of-Wessex-Waters-PR24-draft-determination.pdf \(ofwat.gov.uk\)](#) Page 6

Wessex Water's overall PAYG rate is 30.9%²² and Wessex Water met OFWAT guidelines²³. In its draft determination, OFWAT made slight changes to Wessex Water's proposed PAYG rates.²⁴ Ofwat's changes mean bills are still spread. Wessex had assessed this and found it to be the best approach to balancing investment and bill impact.²⁵

Cost adjustment claims

Wessex Water submitted cost adjustment claims worth £228 million. It considers there are factors that have caused efficient base expenditure to increase over time that are not captured by the cost drivers in the base cost models. Ofwat has rejected these cost adjustment claims as the 'need for adjustment' and 'cost efficiency' criteria failed. CCW supports this.

Energy costs

CCW supports Ofwat's proposal to set assumed energy costs at a baseline reflecting the Government's industrial use index, and 'true up' at PR29 if companies' actual costs are lower or higher.

This protects customers from paying too much up front for what is a significant base cost driver (approx. 15% of base costs are for energy) in what is a volatile wholesale energy market. Ofwat's use of the Government index should also incentivise companies to achieve cost efficient deals from their suppliers.

Assumed Rate of Return and Weighted Average Cost of Capital

Ofwat has increased the allowed rate of return to 3.72% (compared to the 3.23% initial view in the final methodology)²⁶. We recognise that with a high cost investment programme, an increase in equity financing cost assumptions (in the Weighted Average Cost of Capital) is the main driver of the increase in allowed returns as equity needs to increase if the enhancement investment is to be delivered in a financially sustainable way.

The bill impact this can lead to is a concern for CCW given customer affordability pressures, but its effect has been mitigated by the totex efficiency challenges Ofwat has applied.

²² <https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fwww.ofwat.gov.uk%2Fwp-content%2Fuploads%2F2024%2F08%2FKey-Dataset-2-V3.xlsb&wdOrigin=BROWSELINK> Wessex – tab RR11

²³ Page 6: [PR24-draft-determinations-Wessex-Water-Quality-and-Ambition-appendix.pdf \(ofwat.gov.uk\)](#)

²⁴ [PR24-draft-determinations-Aligning-Risk-and-Return-Appendix-1.pdf \(ofwat.gov.uk\)](#) Page 74 onwards

²⁵ <https://corporate.wessexwater.co.uk/media/y3ibqi21/ws35-financial-assumptions-underpinning-the-plan.pdf> page 2

²⁶ Page 9: [PR24-draft-determinations-Aligning-Risk-and-Return-Allowed-Return-Appendix.pdf \(ofwat.gov.uk\)](#)

Ofwat's Draft Determinations make a case that the increase in the assumed cost of equity should retain investment, help address risks associated with highly geared companies²⁷, as well as reflecting market conditions.

It is in this context that we support the reduction of notional gearing to 55%²⁸ as higher leveraged capital structures have risks for customers.

A lower notional gearing assumption increases the weight of the more expensive equity component in Ofwat's notional capital structure, while a higher cost of equity directly increases the cost associated with equity financing.

Together, these factors can lead to higher allowed returns and may appear to be giving some assistance to less financially resilient companies that may have a greater challenge in raising the required equity.

If customers are being asked to pay more to secure the financing needed, it is essential that companies deliver the improvements set out in the Draft Determinations and customers see tangible improvements in their local environment and the service they receive.

Ofwat must also provide assurance that the company can deliver efficiently and demonstrate to customers that they will see and experience improvements in return for paying higher costs to enable this investment.

In an uncertain economic climate, we also do not wish to see a return to the level of financing windfalls in the past when companies were able to raise capital at a lower cost than assumed²⁹.

For the Final Determinations Ofwat needs to consider both the need to attract finance to allow companies to deliver for customers and the environment, and safeguard against risk of high outperformance caused by unexpected changes to inflation, interest rates or other factors by ensuring customers receive a share of any possible windfalls in the future.

Supporting new equity issuance

Given the significant increase in investment in this price review, we agree with Ofwat's position that companies must demonstrate that their chosen option for raising finance is in the best interest of customers and the environment³⁰.

²⁷ Page 16 of [Ofwat's Financial Resilience Monitoring Report 2022-23](#) shows that 11 companies are above the notional gearing level.

²⁸ Page 7: [PR24-draft-determinations-Aligning-Risk-and-Return-Allowed-Return-Appendix.pdf \(ofwat.gov.uk\)](#)

²⁹ For example, the financing windfalls highlighted in the National Audit Office review of economic regulation I the water sector (2015) see [here](#)

³⁰ Page 71: [PR24-draft-determinations-Aligning-Risk-and-Return-Allowed-Return-Appendix.pdf \(ofwat.gov.uk\)](#)

Companies will need to raise new equity and we agree that there are potential benefits to customers if companies have an equity listing³¹, as it allows for greater transparency. This will be welcome as equity raised from private ownership structures can be opaque and complex. This is particularly a concern when dividends are paid.

We agree that non-listed companies should not be disincentivised from obtaining an equity listing because of the costs involved. We agree that in order to receive funding companies must demonstrate that any costs associated with obtaining listed equity are efficient and ensure the delivery of customer supported investment.

Gearing Outperformance Sharing Mechanism

We are disappointed that Ofwat has withdrawn the Gearing Outperformance Sharing Mechanism in its Draft Determinations³². While Ofwat has not had to 'activate' the mechanism since price controls were set at PR19, it may give the impression that Ofwat changed the rules part way through the price control and that if there had been any outperformance since 2020, this would not have been shared with customers as a 'true up' at this price review.

We acknowledge that two thirds of the £4.6 billion equity injected into the sector since 2021 has been to strengthen financial resilience and reduce gearing³³.

The presence of the sharing mechanism coupled with the notional gearing of 55% may help discourage excessive gearing by reducing the financial incentives for companies to take on high levels of debt, and therefore adds to the range of options Ofwat has to protect financial resilience. Ofwat should reintroduce this mechanism, calibrated to account for changes in forecast inflation that were unforeseen when it was last set at PR19.

Customers should also benefit from the lower costs associated with high gearing, especially since they bear some of the risks if a highly geared company encounters financial difficulties.

Cost sharing rate

Customers are likely to welcome Ofwat's proposed 40/60 cost sharing rates which will see the company bearing a higher proportion of any overspends against cost allowances, or returning more of any underspends back to customers.

³¹ In the same way that FTSE index companies have listed equity

³² [PR24-draft-determinations-Aligning-Risk-and-Return-Appendix-1.pdf \(ofwat.gov.uk\)](#) page 68

³³ Confirmed in separate correspondence from Ofwat to CCW.

Customer influence

Outside of the brief mention within the quality assessment summary, there is little explanation of the extent to which Ofwat has assessed the level of customer engagement and challenge of the business plan, or how it may have influenced its Draft Determinations.

In the main 'Delivering Outcomes for Customers and the Environment' document, the only mention of customer engagement having any influence is where it states that customer support may be used in support of a bespoke performance commitment.

There is also a line in the 'Your Water Your Say' report that suggests that a larger suite of evidence has been considered:

"Evidence from 'Your water, your say' surveys forms part of the suite of evidence of customers' and stakeholders' views that we have considered for our Draft Determination".

However, we cannot find the larger suite of evidence in the supporting published documents.

Given the scale of research and engagement that took place to inform the company's business plan, including the work of Wessex Water's CCG in pushing the company to go further, summarising this effort in a few lines sends a signal that customers' views have not been given adequate consideration by Ofwat.

This is particularly disappointing considering the requirements placed on companies in relation to transparency about the use, or otherwise, of evidence from customer engagement in its decision making. In its 2022 position paper "*PR24 and beyond: Customer engagement policy*" Ofwat stated in its section on board assurance of customer engagement under the Transparent heading that "*companies should be able to demonstrate how they have taken account of evidence from customer engagement. Companies should be able to explain why they have not taken account of evidence from customer engagement or research wherever this is the case.*"³⁴

Ofwat has not followed its own guidance in its Draft Determinations. It is not clear to what extent customer engagement evidence has impacted on its decision making. We continue to believe that meaningful customer research and engagement must be a key part of decision making for future investment. However, the lack of information about how Ofwat has considered this evidence could lead companies to question whether the extensive engagement they carried out was worthwhile.

³⁴ [Ofwat PR24 and beyond Customer engagement policy – a position paper February 2022 Page 11](#)

Customer experience

C-MeX

We support the Customer Experience measure (C-MeX) to measure and incentivise improvements in customer satisfaction with both contacts and non-contacts through the use of surveys and cross-sector comparators. We support the increase in the financial value of this incentive for 2025-30, so it is comparable to other ODIs, and the greater weighting in the satisfaction of customers who have had reason to contact the company.

Ofwat's move to set C-MeX targets based on the UKCSI all-sector upper quartile as a benchmark for a company's customer satisfaction should see every company incentivised to improve to a level comparative with customer satisfaction with other sectors.

However, the Draft Determinations lacks specific annual targets for companies, to show the level of stretch needed from current C-MeX targets to reach the UKCSI benchmark, so we would like Ofwat to confirm that it will consult CCW further on this.

We are disappointed that, after extensive engagement with Ofwat, an additional metric to measure customer complaint volumes is not part of the range of C-MeX components.

Our annual complaints reports³⁵ show a continued increase in customer complaints in the last three years. High volumes of complaints are evidence of a poor experience by many customers and can be an indicator of more fundamental problems.

Measures of customer satisfaction alone may not adequately incentivise companies to resolve customer issues first time to prevent complaints and address the causes of complaints. As such, we want to see 25% of the value of C-MeX based on a measure of the volume of complaints a company receives.

Ofwat raises concerns in the Draft Determinations about the reliability and accuracy of complaint data as reported by companies, as the basis of its decision to exclude a complaints volume metric. However we have demonstrated to Ofwat how CCW has delivered greater consistency in data reporting through the development of our guidance to companies, and new complaint assessments. Including telephone and other complaints (in addition to written complaints) in our data suite means a full picture is possible of company performance. After a shadow period, we first published this information in our 2023 complaints report³⁶. By the start of the 2025 period, we will have three years

³⁵ [Household customer complaints report 2023 - CCW](#)

³⁶ [Household customer complaints report 2023 - CCW](#)

of complaints information, which includes telephone and other ways to contact. Written complaints data has, of course, been reported on for many years.

The Draft Determination also says that Ofwat has ongoing concerns about data quality across all PCs, and commits to greater scrutiny to ensure data is robust and can be trusted. We fail to see how complaints data quality represents a greater risk of data inconsistency than other data sources, and would like Ofwat to reconsider including a complaints volume metric in C-MeX. Otherwise this is a missed opportunity to address the trend of rising complaints to incentivise poor performing companies to improve, because complaints volumes can be seen as evidence of the wider decline in customers' trust with the sector.

Alternatively, Ofwat could consider a separate performance commitment on the volume of complaints. Ofwat could signal its intention to include this from 2026 onwards in the Final Determination, if it needs time to develop targets for each company.

Business customer experience

We support the introduction of BR-MeX to incentivise companies to deliver a better customer service experience for business customers. We are pleased to see the associated rewards and penalties align with the value of other ODIs.

The 50/50 balance between the retailer and business customer experience in England is appropriate as both elements should reflect how wholesale companies are directly and indirectly serving customers (via the retailer).

However, we note that an alternative model could be 50% customer experience, 25% retailer experience, and 25% retail market performance (MPF) metrics.

In this scenario, we agree it is appropriate for the customer experience element not to be diluted, and remain at 50%. With respect to the inclusion of the current MPF metrics, we agree that these have a clear customer impact given the importance of good quality asset data, and bilateral requests being responded to on time.

However, other MPF metrics outside of BR-MeX could be subject to change in terms of the performance levels and targets set. We believe Ofwat should apply the same flexibility to the metrics included in BR-MeX.

We support BR-MeX being an absolute target for 2025-30 as it has no past performance data. However, it may be appropriate to move towards relative targets for future periods to more strongly incentivise poor performers once there is more data available.

Operational incidents

The household and business customer experience measures for England and Wales no longer include a proposal to include a separate component for non-contact operational incidents due to concerns over how to define the scope of customers and survey them.

We recognise that this is a risk, but suggest that the proposed new common PC for serious supply interruptions may mitigate this. As well as measuring the volume and frequency of 12 hour+ incidents, we suggest that this should be an opportunity to survey customers' experiences as part of this. In this way it will also be a measure of customers' experiences with the companies in the context of longer supply interruptions.

Statutory investment programme

Environment programme

CCW recognises that the environment and drinking water quality programmes are driven by legislation, but we have seen from Wessex' customer engagement³⁷ and the research to test the business plan that customers broadly want to see the improvements these programmes should deliver.

The most significant cost reduction is within Wessex Water's statutory environment programme where Ofwat has challenged:

- The requested totex of £1,357 million to prevent nutrient pollution in rivers. Wessex has been allowed £793 million, a reduction of £565 million³⁸.
- Wessex Water's proposed expenditure on storm overflows from £514 million to £466 million following its efficiency benchmarking.³⁹

It is noted that Wessex Water had reduced the costing from their business plan submission to £400 million⁴⁰ with the agreement of the Environment Agency. However, the main driver for this challenge is the non-compliance of the Wessex' plan with regulatory requirements. So, pending Wessex's

³⁷ Page 49 and 55 [Customer Research Triangulation \(wessexwater.co.uk\)](https://www.wessexwater.co.uk)

³⁸ Table 32: [PR24-draft-determinations-Total-expenditure-allowances-by-company.pdf \(ofwat.gov.uk\)](https://www.ofwat.gov.uk/PR24-draft-determinations-Total-expenditure-allowances-by-company.pdf)

³⁹ Table 32: [PR24-draft-determinations-Total-expenditure-allowances-by-company.pdf \(ofwat.gov.uk\)](https://www.ofwat.gov.uk/PR24-draft-determinations-Total-expenditure-allowances-by-company.pdf)

⁴⁰ Table 49: [Wessex Water Business Plan Overview \(wessexwater.co.uk\)](https://www.wessexwater.co.uk)

submission of revised costs, evidence and assurance, it is likely that much of this cost may be included in the final determination.

While CCW supports Ofwat's challenge to ensure company totex is efficient, it must also reflect the cost of delivering customers' expectations for environmental improvements, as shown in Wessex's research.⁴¹

Storm overflows

Reducing storm overflows was found to be an important issue for Wessex Water customers within their customer research⁴². Wessex Water had proposed to deliver a level of 21.13 average spills per overflow by 2029-30⁴³. Ofwat found that to be lacking in ambition. Ofwat felt that Wessex Water provided insufficient evidence to support this target and set more stretching targets throughout the five-year period. CCW supports this. This was particularly important to customers as shown in Wessex Water's customer research.⁴⁴

In the absence of a performance commitment to track the harm caused by storm overflow spills, we want to see a clear plan from the company which demonstrates its delivery of the storm overflow reduction programme prioritises the spills that cause most frequent harm to rivers and bathing water.

Such a prioritisation plan should be transparent to customers so they can be assured that the storm overflows causing most harm are subject to improvements first. Wessex must commit to publishing its prioritisation plans to show how it will deliver work to address storm overflows.

To enable this, the company needs to address any 'gaps' in its evidence⁴⁵ and may need to carry out further assessments of sites at risk. Ultimately, companies should comply with their licence and make sure no spills occur unless there is exceptional weather.

CCW supports the requirement for companies to report active event duration monitor data, along with total spills per total number of storm overflows. This should incentivise timely maintenance of monitors.

We support the level of base costs allowed for addressing reductions in storm overflow spills and the harm they cause. We consider that companies can deliver improvements in storm overflow spills by preventing or removing blockages, undertaking investment to ensure existing permits are

⁴¹ Page 55 [Customer Research Triangulation \(wessexwater.co.uk\)](https://www.wessexwater.co.uk/customer-research-triangulation)

⁴² Page 56 [Customer Research Triangulation \(wessexwater.co.uk\)](https://www.wessexwater.co.uk/customer-research-triangulation)

⁴³ Page 158 [Outcomes tables commentary \(wessexwater.co.uk\)](https://www.wessexwater.co.uk/outcomes-tables-commentary)

⁴⁴ Page 27: <https://corporate.wessexwater.co.uk/media/34tlebfx/wsx06-customer-research-triangulation.pdf>

⁴⁵ The EA's Reasons for not achieving Good (RNAG) data may provide such evidence.

met and maintaining assets well. The Environment Agency identified in 2021-23 that 18% of high-spilling overflows are due to operational issues including maintenance⁴⁶.

Nature based solutions

We would like to have seen greater use of nature based solutions in Wessex Water's business plan. This has been echoed by Ofwat⁴⁷. Wessex Water's proposal has failed the cost-efficiency criteria so the company's request for £35 million has been reduced to £19 million⁴⁸. Ofwat has invited Wessex Water to submit further evidence to demonstrate cost efficiency in response to its draft determination.

CCW supports increased allowances for the company to use nature based approaches to some of the solutions needed to improve environmental standards and reduce pollution, rather than hard built solutions. Our research shows that customers broadly support nature based solutions as they can be more sustainable in the long term⁴⁹.

Our recent research⁵⁰ on river quality also shows that people have become more concerned about supporting nature and no longer relying entirely on built solutions. Protecting and restoring biodiversity is a generally well supported concept, and a high priority for customers who see the wider benefits of working with nature.

It is important for companies to trial new approaches to identify and share successful new innovations that may be lower cost and more sustainable in the long term.

As the reason for the reduce uptake of NBS is due to evidence of risk in terms of costs and delivery, Ofwat's gated process for developing schemes should be considered as this reduces the risk of customers paying twice to solve the problem if an NBS scheme does not deliver the outcome it aims for.

Drinking Water Quality programme

⁴⁶ [Event Duration Monitoring - Storm Overflows - Annual Returns - data.gov.uk](#) (see table 5 2022 EDM Storm Overflow Annual Return

⁴⁷ <https://www.ofwat.gov.uk/wp-content/uploads/2024/07/PR24-draft-determinations-Wessex-Water-Quality-and-Ambition-appendix.pdf> page 2

⁴⁸ Page 49 [Draft Determinations total expenditure allowance by company](#)

⁴⁹ [Keen to go Green? Customer preferences and priorities for waste water solutions - CCW](#)

⁵⁰ [Customer Spotlight: People's views and experiences of water 2024 - CCW](#)

Ofwat has reduced Wessex Water's proposed expenditure on drinking water quality from £35 million to £30 million following its efficiency benchmarking⁵¹. Ofwat has also placed more stretching targets on water quality contacts and water quality risk index. CCW supports this.⁵²

Wessex Water proposed in its business plan to replace 6,000 lead supply pipes⁵³ from 2025 to 2030 and it has been awarded £17 million to do this.⁵⁴

CCW supports investment in reducing lead pipes as this addresses both water quality and a public health risk. The industry will be doing more to co-ordinate lead reduction trials in 2025-30 so they can share learnings on what has most success in terms of customer engagement and uptake of lead reduction schemes, particularly in properties and private supply pipes. This should be a good basis for making further significant progress in PR29.

The other allowances under the drinking water quality programme, while higher than the equivalent at PR19, appears to be a pragmatic approach to addressing risks and offers protection for customers through the use of the PCD mechanisms.

We welcome the programme also seeking to address the causes of customer contacts about drinking water. This should be an area that directly improves the service so customers will hopefully see the improvement delivered.

Security and Emergency Measures (SEMD)

Water supply security is a primary statutory responsibility for companies. We support setting a common security (SEMD) non-delivery PCD to protect customers. Failure to deliver in this area is failing customers who expect their companies to deliver resilient services. The PCD covers both physical security and emergency planning, which are both key aspects of ensuring these essential services are resilient.

Customer protections

We support the combination of Performance Commitment penalties, Price Control Deliverables and other protections in place to remunerate customers in the event of failure or delay in delivering.

Discretionary investment programme

⁵¹ Table 31: [PR24-draft-determinations-Total-expenditure-allowances-by-company.pdf \(ofwat.gov.uk\)](#)

⁵² [Key Data Set 1 V4](#)

⁵³ Page 5 [Overview of business plan \(wessexwater.co.uk\)](#)

⁵⁴ Page 2 [Overview-of-Wessex-Waters-PR24-draft-determination.pdf \(ofwat.gov.uk\)](#)

Discretionary investment is limited in this determination due to the high cost of the statutory investment programmes, as trade-offs have been made to protect customer affordability.

However this has meant that some customer supported investment proposals have been delayed, reduced or cut, so we remain concerned that some issues such as asset resilience and drinking water quality improvements may not be fully addressed until PR29 or beyond.

In this context, Ofwat must ensure companies provide assurance that any deferred investment does not lead to risk to service delivery in the intervening period, and indicate what future bill impacts may be when companies have to 'catch up' at a later date. We also have a concern that deferred schemes may be more urgent and costly when it comes time to deliver them.

Mains renewal

Wessex Water submitted a cost adjustment claim of £35 million to increase the rate of mains renewals⁵⁵. In its assessment of this, Ofwat felt Wessex Water failed to provide compelling evidence and determined that Wessex Water should complete mains renewals at a rate of 0.48% and within the company base expenditure allowance.⁵⁶

Customers may question why Wessex was allowed to build up a backlog of required asset replacement and maintenance due to a lack of investment in the past. However, as catch-up is needed and the company's research shows customers want to see the service improvements new and renovated assets should deliver, we support Ofwat's approach in the draft determination.

We also support the customer protections Ofwat has applied to ensure costs are efficient, the PCDs and other mechanisms in place to return money to customers in the event of failure or delay.

Water resources and demand management

Customers placed a high priority on the reliability and resilience of water supplies in the customer engagement Wessex carried out to inform its business plan⁵⁷, so we support investment in water resources over 2025-30.

This should help protect the region from drought, build new sources of water supply, and help customers save water, and aligns with the company's Water Resources Management Plan.

⁵⁵ Page 49 [PR24-draft-determinations-Total-expenditure-allowances-by-company.pdf \(ofwat.gov.uk\)](#)

⁵⁶ [PR24-DD-Mains-renewals-adjustments.xlsx \(live.com\)](#) Rates summary tab

⁵⁷ Page 49 [Customer Research Triangulation \(wessexwater.co.uk\)](#)

The three major water resource projects proposed by Wessex Water are Cheddar 2 source and transfer, Mendip Quarries and Poole effluent recycling and transfers. All are proposed by Wessex Water over a longer term and this has been supported by Ofwat. All three schemes are to address water resourcing in the long term therefore the cost will be shared by current and future customers. All three of these projects are to be jointly developed with South West Water. Ofwat has allowed £65 million for Wessex for the pre-construction development of these projects with construction due to start in the 2030-35 period⁵⁸. Wessex Water's customer research showed that its customers wanted a reduction in reliance on abstraction, which is supported by these projects.⁵⁹

Water Resource Management Plan

Company research shows that customers place a priority on the security of their supplies,⁶⁰ so we support the twin track approach in the WRMP of increasing and maximising availability of water supplies, whilst also reducing the demand for water through reduced consumption and leakage.

We also agree with the added protection/resilience it potentially provides for flexibility (for example, if demand reduction isn't delivering, supply schemes can be fast tracked and vice versa). This will be needed if companies' limited control over how their customers choose to use water (particularly during droughts and reference the huge peaks in demand during 2022) means there are limits on how far they can go with demand management.

We support the added protection for customers through the use of PCDs to incentivise delivery, which also avoids the risk of companies benefitting from external factors such as more favourable weather conditions etc. or other contributing risk factors changing.

Smart meters

Wessex Water has been allowed £35 million of the proposed £47 million⁶¹ requested for smart metering. Wessex Business plan states they will start in the Hampshire Avon catchment due to planned abstraction licence reductions. This was found to be an important issue for customers - research showed they felt it important to reduce reliance on abstraction⁶² so CCW supports this investment.

⁵⁸ Pages 11 & 12: <https://www.ofwat.gov.uk/wp-content/uploads/2024/07/Overview-of-Wessex-Waters-PR24-draft-determination.pdf>

⁵⁹ Page 70 [Customer Research Triangulation \(wessexwater.co.uk\)](https://www.wessexwater.co.uk/customer-research-triangulation)

⁶⁰ Page 78 [Customer Research Triangulation \(wessexwater.co.uk\)](https://www.wessexwater.co.uk/customer-research-triangulation)

⁶¹ Table 31: [PR24-draft-determinations-Total-expenditure-allowances-by-company.pdf \(ofwat.gov.uk\)](https://www.ofwat.gov.uk/pr24-draft-determinations-total-expenditure-allowances-by-company.pdf)

⁶² <https://corporate.wessexwater.co.uk/media/34tlebfx/ws06-customer-research-triangulation.pdf> Page 79

Ofwat has also allowed £12 million to reduce demand by pairing smart metering insights with water efficiency visits and fixing home leaks⁶³. CCW supports this.

However, we wish to see further clarity about the smart metering programme to help reduce household and business demand, and the expectations this investment implies for leakage reduction and tariff development.

While it is positive to see that Ofwat has provided minimum expectations about what companies should consider (i.e. optimal technologies, rather than low cost and reduced functionality), and the frequency for data to be collected, more detail is required to show how this will be rolled out in a way that benefits the areas more at risk of water scarcity first, as the Draft Determination shows that Ofwat has challenged the company's proposed costs but not how the programme will be prioritised and delivered.

We have called for universal smart metering for businesses to give customers better information and control over their usage. However, Ofwat appears to have set a single unit cost for metering to cover household and non-household. This seems likely to lead to companies avoiding large meters or those where installation is difficult as they would not be cost effective to tackle and would result in less money to deliver the rest of the programme.

There is an issue with long unread meters in the non-household retail market, often due to their inaccessible location. Replacing these meters could be costly but failing to do so, and choosing simpler installations instead, would fail to address a major issue for non-household customers.

Water Efficiency Fund

CCW supports the aims of Ofwat's proposed Water Efficiency Fund - we agree there is an urgent need for a new approach to increase the focus on demand management.

We have submitted responses to both of Ofwat's consultations⁶⁴.

Performance Commitments and Outcome Delivery Incentives

Performance Commitments (PCs) need show evidence of significant improvements on current performance for a range of measures that matter to both customers and the environment.

⁶³ Page 11: [Overview-of-Wessex-Waters-PR24-draft-determination.pdf \(ofwat.gov.uk\)](#)

⁶⁴ Our latest response is here - [CCW response to Scoping the Water Efficiency Fund: Second Ofwat Consultation - CCW](#)

As such, we welcome Ofwat's challenges to the company's PC targets to deliver more stretching improvements than it proposed in areas we highlighted in our assessment of the business plan.

Excluding C-Mex, D-Mex and BR-Mex, of the other 20 performance commitments, Ofwat has set more stretching targets for 19 with only the water supply interruptions, external sewer flooding targets remaining the same and the only less stretching target is leakage.⁶⁵

In our assessment of Wessex Water's business plan, CCW pointed out that Wessex would be in the lower quartile for drinking water quality contacts, leakage, per capita consumption, serious pollution incidents and unplanned outage. We believed the leakage and PCC targets should have been greater considering the company's investment in smart meters. Ofwat's draft determinations have set more stretching targets for all of these except leakage. CCW is pleased to see that the targets are more stretching but we are disappointed that the leakage reduction target has been lowered considering how important this was to customers in Wessex's research.⁶⁶

Serious Supply Interruptions

We support Ofwat's proposal for a new 2025-30 PC to track serious supply interruptions (of 12 hours or more). This should provide added transparency of company performance and an added incentive for companies to reduce lengthy supply interruptions which can have considerable impacts on businesses and households.

Leakage

Leakage reduction is a customer priority. As such we welcome companies' efforts to continue to reduce leakage as it helps to improve the resilience of water resources, to protect the environment and also supports companies in reducing their GHG emissions from treating and pumping water.

The mains renewal rate for Wessex is higher at PR24 than it was at PR19, so there needs to be clear correlation between this and the level of ambition in the company's leakage reduction PC.

Sewer flooding

⁶⁵ [Key-Dataset-1-V4](#) choose WSX and by PC tab

⁶⁶ <https://corporate.wessexwater.co.uk/media/34tlebfx/wsx06-customer-research-triangulation.pdf> Page 77

The absolute target of 13% reduction applied to the internal sewer flooding PC is lower than the equivalent target set at PR19. While we accept trade-offs have been made to protect customer affordability in the light of a high cost environment programme, Ofwat's joint research with CCW⁶⁷ clearly shows the impact sewer flooding can have on households, businesses and communities, so this should be more challenging with relative targets and related investment and base costs applied to better incentivise the comparatively poor performers.

We support Ofwat's exclusion of exceptional weather in the sewer flooding PC design as including it may disincentivise companies from addressing sewer flooding risks in periods of prolonged/heavy rainfall.

Business demand

This is the first time there has been a PC on water wholesale companies to specifically reduce business water demand. It reflects the inclusion of business water demand in the Environment Act water demand reduction target.

We are pleased to see that separate targets have been set for businesses and welcome the introduction of measured collaborative working between retailers, wholesalers and other parties to achieve the reduction in business demand.

PCs show a reduction of 10.9% for business demand by the end of the AMP⁶⁸ compared with 2019/20 baseline. This means Wessex is being sufficiently incentivised to meet the Defra target.

Drinking Water Quality customer contacts

We are aware the some companies have challenged the use of the Drinking Water Quality customer contact PC as they rely on customer contacts to alert them to drinking water taste, odour and appearance issues, which they otherwise may not know about. In this context, it may lead to companies discouraging customer contacts.

However, a high level of drinking water quality customer contacts can be viewed as evidence of the level of drinking water quality issues affecting customers (as customers are most likely to contact a company only if there is a problem), so we support this PC to give transparency and incentivise companies to address customer issues effectively.

⁶⁷ [Customer experiences of sewer flooding - CCW](#)

⁶⁸ <https://www.ofwat.gov.uk/wp-content/uploads/2024/08/Key-Dataset-1-V4.xlsx>

Ofwat could develop a separate metric in this PC to track repeated contacts from the same customer and/or location, so there is greater distinction between overall contacts and those where the company has failed to respond effectively.

Outcome Delivery Incentives

Outcome Delivery Incentives (ODIs) should drive companies to improve in areas of service where they are currently comparatively poor and/or where robust evidence shows customers want to see improvement.

In this context we support:

- ODI rates that are proportionate to the size of the company's regulated capital value, so incentives are sufficiently strong to prevent failure but not disproportionate to the allowances needed to deliver customer supported investment.
- The top-down approach to setting rates with alignment to evidence of customer valuations of levels of priority for different areas of service. This means the eight PCs that more directly affect customers⁶⁹ have a higher value, which we support.
- The removal of caps and collars for more established PCs, with an aggregate sharing mechanism in place to ensure any higher rewards for outperformance beyond PC targets are shared with customers. Established PCs have more historical performance data to inform target setting which means more confidence in the level of stretch and ambition set, so the protections from caps and collars are not needed to mitigate against uncertainty.
- The new reporting methodology Ofwat proposes, which will provide greater transparency, accuracy and assurance on how companies are performing.

We do not support the use of enhanced ODI rates for six PCs⁷⁰, to provide additional outperformance payments to higher performing companies. Even with the aggregate sharing mechanism in place, customers will still be asked to pay higher rewards than under rather 'standard' rates in this scenario.

⁶⁹ Water supply interruptions, Customer contacts about water quality, Leakage, Per capita consumption, internal sewer flooding, External sewer flooding, total pollution incidents, Storm overflows – these PCs have ODI rates of +/- 0.6% of RoRE (compared to +/- 0.5% for 'standard' ODIs).

⁷⁰ Water supply interruptions; leakage; per capita consumption (PCC); internal sewer flooding; external sewer flooding; and total pollution incidents

While this may encourage companies to go further and set the bar higher for others to follow, asking customers to pay more for an area of company performance that customers may regard as a basic responsibility by companies does not justify bigger rewards.

Long term context

The five-year package of investment and PC targets should act as a milestone towards delivering a longer term set of outcomes.

While there is some evidence that the five-year determination acts as a milestone towards longer term outcomes, it's unclear to what extent the company's Long Term Delivery Strategy and adaptive planning informed decisions and the investment costs (and subsequent bill impacts for customers) that may follow in PR29. Wessex Water's plan did not meet Ofwat's minimum expectation for the long-term strategic context of the business plan⁷¹.

We agree with Ofwat that without an adequate long-term strategy, a company is likely to struggle to deliver resilient services in the future or ensure improved environmental outcomes. The lack of an adequate long-term delivery strategy is likely to have a material impact on the company's ability to deliver for customers and the environment over the long term.⁷²

CCW supports making sure that Wessex Water's long-term plan is deliverable and sustainable to ensure that outcomes are met for customers.

Enquiries

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⁷¹ Table 2: [PR24-draft-determinations-Wessex-Water-Quality-and-Ambition-appendix.pdf \(ofwat.gov.uk\)](#)

⁷² Table 2: [PR24-draft-determinations-Wessex-Water-Quality-and-Ambition-appendix.pdf \(ofwat.gov.uk\)](#)