

28 August 2024

David Black
Chief Executive
Ofwat

By email: PR24@ofwat.gov.uk

Dear David

Our response to the PR24 draft determination

As you know, we were very disappointed that our business plan was rated as 'inadequate' at draft determination stage and have in our response addressed all the concerns raised, including the challenge on specific areas of cost and performance. Our revised plan is also fully aligned with all PR24 statutory requirements.

We support your wider objectives of restoring confidence and enhancing performance in the water industry; and we are committed to fulfilling our regulatory and public service responsibilities.

Our business plan, which will see investment double in the next five years, was carefully developed to meet customer and government priorities. This investment is driven almost entirely by statutory and regulatory requirements, which in many cases have a disproportionate impact on the Wessex Water region.

Having carefully considered the overall risk and return package, we believe that the draft determination puts our ability to retain and attract investment at risk and in our response have explained and provided evidence for this view.

Given the size and scale of the investment programme, the downward risk skew created by PCs, PCDs, and other mechanisms, we are concerned that the draft determination has not achieved the right alignment of risk and return, and that a final determination that maintained this position would not deliver Ofwat's consumer and financing duties.

We appreciate there is a difficult balance to strike between securing investment, deliverability, and affordability, and that on certain issues we have taken a different position, however we look forward to working with you to ensure an outcome that is acceptable to all stakeholders.

The shortened timeline for responding to the draft determination has been challenging and if there is additional information you require, or areas you would like to discuss, then we would welcome further engagement.

We look forward to discussing this response with you in more detail during our meeting on 4 September.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R. Jefferson', with a long horizontal flourish extending to the right.

Ruth Jefferson
Chief Compliance Officer