

# WESSEX WATER CUSTOMER CHALLENGE GROUP

For the attention of Jessica Haddad Principal Case Officer, Competition Enforcement & Regulatory Appeals, Competition and Markets Authority

22 April 2025

Dear Jessica

## **Water PR24 price redeterminations Wessex Water**

I am writing to you with the Wessex Water Customer Challenge Group's (CCG) views and observations on Wessex Water's Statement of Case associated with its rejection of Ofwat's PR24 Final Determination. This is in response to the Competition and Market Authority's call for third party submissions in relation to its Water PR24 price redeterminations.

### **Background**

The CCG works independently of Wessex Water to challenge and hold the company to account on behalf of customers. It is pleased to have the opportunity to contribute to the Water PR24 price redetermination.

The CCG has a diverse membership representing various customer and stakeholder groups. The areas of focus and challenge of each of the current Group member organisations are as follows:

Organisation	Area of focus and challenge
CCW	Interests of all water consumers
The Environment Agency (EA)	Environmental regulation and compliance
Citizens Advice Wiltshire	Customer vulnerability and social welfare
Age UK Wiltshire	Interests of customers in later life
Wessex Water Catchment Panel	Environmental priorities and outcomes
AdviceUK	Affordability and vulnerability
University of Bristol	Specialist knowledge on consumer behaviour and engagement
NatCen Social Research	Specialist knowledge on customer engagement

The EA and CCW are members of the CCG. EA and CCW will be contributing separately to your PR24 price redeterminations. Therefore, this submission represents the views of the CCG members other than EA and CCW.

The CCG has limited technical and financial knowledge. Our remit does not include challenging the company's investment cost estimates, efficiency assumptions and its financial decisions. Our comments on Wessex Water's Statement of Case relate to the impact on customer preferences, levels of service and bills.

### **The CCG's comments**

The CCG reviewed and challenged the company's customer research for Wessex Water's PR24 Business Plan. We assessed the engagement for PR24 as a whole against Ofwat's standards for high quality research, customer challenge and assurance. We opined on how well the engagement fed into the Business Plan and that the Plan reflected customers' priorities and needs, including affordability and vulnerability.

We considered that the company developed a PR24 investment plan that reflected customers' wishes within the bounds of overall investment needs, government targets and other statutory obligations, and considerations of affordability. Our detailed findings and opinions can be found in our [Report](#) published in October 2023.

In broad terms Wessex Water's Statement of Case covers five areas:

- **New disinfection at water treatment works** – not funded by Ofwat in the Final Determination
- **New bioresources health and safety requirements** – not funded by Ofwat in the Final Determination
- **Wholesale water base costs** – the company's concerns around Ofwat's econometric modelling, the mains renewal Price Control Deliverable (PCD) and ongoing efficiency challenge
- **Phosphorous removal** – the company's concerns around cost allowances determined by Ofwat's models
- **Allowed returns** – the company's concerns around Ofwat's approach to risk and return resulting in an underestimation of the cost of capital

The CCG's review and challenge of the Wessex Water's PR24 customer engagement methodologies, some of which were specified by Ofwat, and their results indicated that customers generally support water quality and environmental improvement work. Because of this, many customers may be unhappy to have seen in the Final Determination that the company has not been funded to do some of the quality enhancement and efficiency work it wishes to.

We have been informed by the company that sub-optimal asset investment in the past was due to sub-optimal funding in previous price determinations. The company also tells us that it has always spent all its capital maintenance allowances in previous periods.

The CCG understands that the Ofwat's Final Determination means that the company will have 3% less operating expenditure than is currently being spent. Our ongoing review and challenge the company's performance on sewage pollutions, a significant concern for customers, has raised the importance of its capacity to maintain and improve its assets.

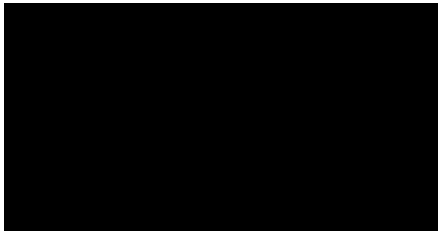
While the CCG considered that the company developed a PR24 investment plan that aligned with the wishes of its customers, it was set against significant cost of living pressures. The investment plan, and its associated bill increases, received low acceptability amongst customers, along with others in the industry.

We understand that Wessex Water's appeal to the CMA, if successful, will result in larger bill increases than allowed for in Ofwat's Final Determination (possibly up to a further £4 per annum by 2030).

The CCG is concerned about the impact of the resulting price increases on vulnerable and other low-income households and current economic uncertainties reinforce that concern. After a deep dive by the company's Vulnerability and Affordability Panel (co-chaired by two CCG members), we concluded that the company's existing social tariffs are comprehensive, but that take-up is much lower than need. The CCG, therefore, continues to challenge the company to ensure that all customers who need assistance with their bills are identified and helped, both now and in the future.

I trust these observations will be helpful for your Water PR24 price redetermination for Wessex Water.

Yours sincerely,



**Dan Rogerson**  
Chair Wessex Water Customer Challenge Group