



The voice for water consumers
Llais defnyddwyr dŵr

CCW's submission to the Competition and Markets Authority on its approach and prioritisation for the PR24 redeterminations

11 June 2025

1. Introduction

- 1.1 The Consumer Council for Water (CCW) is the statutory consumer organisation representing household and non-household water and sewerage consumers in England and Wales.
- 1.2 We welcome the opportunity to respond to the Competition and Markets Authority (CMA) on its proposed approach and prioritisation for the PR24 redeterminations for the five disputing companies.

2. Summary

- 2.1 The CMA's approach acknowledges the exceptional context for its redeterminations – sharply higher investment needs with associated customer bill impacts amid cost-of-living pressures. We agree that the redetermination process needs to take account of, *“the already substantial bill increases that customers are facing”* to meet statutory requirements.
- 2.2 As potential additional bill increases from the redeterminations will need to be spread over four years, we welcome the CMA's commitment to minimise additional bill impacts, *“in particular by promoting efficiency and avoiding customers paying twice”*.
- 2.3 CCW is concerned that the companies' statements of case raise several new cost claims that were not accounted for in Ofwat's price determinations. Such claims will not have gone through the same rigorous scrutiny and customer engagement that the original company business plans and determination responses did. Companies should have disclosed such needs during the Ofwat price review process.
- 2.4 CCW's submissions show that many customers already struggle with the price package in Ofwat's determinations, so we would like the CMA to signal more explicitly that any additional funding allowed for in the redeterminations should include clear evidence of customer benefit and is based on evidence that was not available to Ofwat earlier in the process for justifiable reasons. Otherwise, this may give the impression that by appealing to the CMA, disputing companies get a 'second bite of the cherry' , which could undermine the integrity of the regulatory process.
- 2.5 We believe the CMA's prioritisation approach is generally well-founded. It maintains focus on the most significant issues affecting bills and service delivery, while avoiding disproportionate attention on immaterial matters.

2.6 However, we urge the CMA to use its redeterminations to more clearly acknowledge the affordability pressures facing many customers and signal the need for wider reform in areas such as social tariffs.

2.7 We consider below how well the approach protects customers' interests in each key area.

3. Comments on the CMA's approach

3.1 Recognition of pressures: We agree that as almost all PR24 investment is for statutory requirements, there is limited "fat" to cut without risking the service quality or compliance that customers expect. Our submissions highlight evidence from customer engagement that shows customers broadly support and expect to see benefits from this investment.

3.2 Focus on efficiency: Consistent with protecting customers, the CMA repeatedly emphasises that any upward changes to allowed revenues must be justified by efficiency and value. We support this approach towards avoiding unnecessary cost burdens.

3.3 Spreading bill changes: As the document confirms that final redeterminations should be issued by mid-December 2025, we support spreading any upward adjustments over four years to slightly ease year-on-year bill rises, which is beneficial for customer affordability.

3.4 Customer affordability evidence: Our customer research underscores strong affordability concerns. For example, our submissions show that only 19% of Anglian customers found the final investment plan affordable (despite 69% finding it acceptable), and 31% of Northumbrian customers were similarly worried about bill rises. This confirms that even if customers value improvements, many struggle with the bills. The CMA's approach document does cite CCW's concerns on affordability support in passing. It should more strongly highlight these findings when considering cost adjustments to show how its decisions factored in avoiding increasing financial hardship for many customers.

3.5 Asset health and resilience: The CMA's approach to individual enhancement claims is positive as the CMA is not dismissing resilience projects out of hand but is requiring detailed proof of value for money. Customers would expect, for example, that legitimate schemes to prevent pollution incidents or drought should be funded – the CMA's redeterminations should show that the strength of evidence for each such scheme aligns with that.

3.6 Outcomes and deliverables: The CMA says it will look at each of the issues the disputing companies have raised about:

- The calibration of dozens of Performance Commitments (PCs);
- The associated Outcome Delivery Incentive (ODI) rates; and

- What they see as inflexibilities in non-delivery and time-incentive Price Control Deliverables (PCDs).

Our submissions highlight the need to adequately incentivise the delivery of customer priorities, encouraging poor performers to improve, with the added transparency that should be achieved through PCDs. We are satisfied that the CMA is not dismissing these needs, but as it gives no firm commitment, we are concerned that it could soften penalties or adjust targets in some areas where companies have performed poorly and/or are customer priorities.

- 3.7 Base costs and service standards:** The CMA will re-run Ofwat's econometric base cost models and consider specific cost adjustment claims where modelling may miss things. This matters to consumers because things like leakage reduction and asset maintenance are partly funded through base allowances. Any additional cost allowances should deliver related benefits and confirm that these benefits have not already been funded.
- 3.8 Benchmarking and econometric models:** A key concern for customers is whether companies are getting a fair return and allowances, without overpaying inefficient providers. We agree that benchmarking is the best way to mitigate information asymmetry and compare company performance, and that companies can always bring forward focused cost adjustment claims if something truly lies outside the model. This should help ensure no company gets an unjustified advantage simply by appeal and should protect customers from over-generous allowances. The CMA does, however, intend to refine the models to ensure the model captures real cost drivers. Our independent analysis of Ofwat's assumed rate of return should be part of this refinement.
- 3.9 Cost adjustment claims:** The CMA deprioritises very small claims (e.g. business rates changes, license fees, etc.) and will only evaluate major cost adjustment claims. This commitment to focus on material claims that affect delivery of customer and environmental benefits is welcome as it should help ensure that if companies legitimately need extra funding, the decision is transparent and justified. We also welcome the CMA's recognition that some costs may have been double-counted and will correct "errors" in Ofwat's figures as needed.
- 3.10 Inclusion of customer bodies:** The CMA has involved customer representatives including CCW alongside company and Ofwat evidence. We support the CMA's work to gather views on its approach and will hold hearings in late June/July where CCW will be asked questions alongside the companies. This procedural commitment ensures that the customer perspective is heard directly.

- 3.11 Customer service:** The approach document occasionally acknowledges customer issues. For example, it notes that CCW has specifically raised concerns about Ofwat's customer experience measure (C-MeX) not including the volume of customer complaints to companies. It also lists in its "issues and approach" that it will balance the main parties' positions by "*taking account of customers' interests*". This is welcome as it shows that the CMA will consider customer submissions.
- 3.12 Customer evidence on priorities:** Consumer research (including CCW's research to 'test' Ofwat's draft determinations) indicates that customers generally support higher service standards but are sensitive to cost¹. For example, CCW emphasises that any additional funding must clearly improve reliability or water quality, rather than raise bills without benefit. The CMA's approach is consistent with this as it promises to address claims in light of what customers expect (service and environmental outcomes) and not to constrain planned affordability support (see next section). It also recognises that many customers accepted the proposed improvement package even as they worried about affordability (as CCW's data shows). The published document does not map out customer priorities, but it would be useful if the CMA's redeterminations explicitly show how its decisions will enable customer priorities to be met
- 3.14 Social Tariffs and Vulnerability Support:** The CMA plainly states that social tariffs are outside its remit. It notes that while it received submissions on social tariffs, arrangements for such tariffs are governed by Defra's framework. In other words, the CMA cannot require companies to top up social tariff funds or change their design. This is correct legally but means that affordability for very vulnerable households is not directly addressed. The CMA notes the pledge by companies to improve affordability by 2030 but does not comment on whether the current plans are sufficient. Customers concerned about water poverty might have hoped the CMA would more strongly recommend accelerating reforms.
- 3.15 In its redeterminations report, the CMA could highlight the gap: for example, by pointing out how many households are on social tariffs today and whether that meets needs. The CMA could signal to customers that it is mindful of their vulnerability by, for example, ensuring that any additional cost allowances in its redeterminations are offset by shareholder contributions or additional support. Even a brief statement urging companies to maintain or strengthen affordability programmes would reassure customers that this issue has not been ignored.
- 3.16 The CMA's document states, '*some companies' shareholders opt to contribute such that the social tariff subsidies are, in part or in whole, funded by the shareholders as opposed to*

¹ [CCW draft determinations research November 2024](#)

other customers' (paragraph 39). This is incorrect as there are no companies whose social tariffs are fully funded by customers (or even where they contribute more than customers). We would welcome an amendment to this statement in the final version of the document.

4. Comments on prioritisation

4.1 We welcome the CMA's clarity on the areas it proposes to deprioritise in its PR24 redetermination process. From a customer perspective, we recognise the need to focus effort on the most material and contested issues. We comment in more detail on the specific areas where we support de-prioritisation in table 1 at the end of this response.

4.2 **Ofwat's business plan quality and ambition assessment:** Our submissions raised concerns about the transparency and robustness of Ofwat's assessment - particularly in how clearly it evaluated whether companies had meaningfully reflected customers' views, priorities, and affordability concerns in their plans. By deprioritising this area, the CMA risks overlooking potentially significant gaps in how customer views were captured and reflected in key investment decisions. It is therefore essential that, when reviewing cost adjustment claims or enhancement schemes, the CMA gives due regard to whether the proposals demonstrably align with customers' priorities and willingness to pay. We would welcome greater clarity on how customer engagement evidence - either as part of company submissions or third-party input - is being considered within the CMA's redetermination process.

Table 1: Specific deprioritised issues

Deprioritised issue	Comment
Alternative base cost models.	We agree it is reasonable to deprioritise arguments for alternative approaches to cost modelling as this may undermine the benefits of efficiency benchmarking.
Wider asset health issues.	We agree these issues be handled via Ofwat's ongoing asset health work.
Retail cost models, business rates, and changes to other comparatively minor costs.	We agree as these are minor items with little customer impact.
Companies' preparatory work for a desalination plant (Northumbrian), strategic network improvements (Northumbrian), PFAS schemes and other smaller scheme claims.	We agree that these schemes are either more appropriate for PR29, the RAPID process, or are low-cost claims that will not materially affect bills or outcomes. Ofwat also has an

	uncertainty mechanism in place to address PFAS issues.
General company objections to PR24 outcome framework	We agree, as the CMA aims to evaluate specific issues, not wider 'methodology' issues that may not be clearly evidenced or specific.
In-period adjustments, PR19 reconciliations, retail prices	We agree as these issues have not been challenged in the appeals.
Changes to inflation indexation of RCV	We agree as these are sector-wide issues, not specific to these appeals.

Enquiries

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