



The voice for water consumers
Llais defnyddwyr dŵr

CCW's response to the Competition and Markets Authority on its provisional determinations for Anglian Water, Northumbrian Water, South East Water, Southern Water and Wessex Water

6 November 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 provisional determinations for the five disputing companies.

2. Summary

- 2.1 Customers are already facing serious affordability pressures. Every pound added to bills must be clearly justified and deliver measurable public value. CCW is concerned about some of the CMA's provisional adjustments. In particular, the increase in financing costs that will raise customer bills further. These changes offer little improvement in service, reliability, or environmental outcomes beyond the package of commitments in Ofwat's Final Determinations.
- 2.2 **Base costs:** CCW supports the CMA's use of cost benchmarking and its stronger efficiency challenge. Where base cost allowances rise for some companies, Price Control Deliverables (PCDs) must stay in place to ensure delivery.
- 2.3 **Enhancements:** Most 2025-30 enhancement spend is legally required. CCW supports the CMA's detailed scrutiny, rejection of weak cases and use of gates/uncertainty mechanisms to protect customers from high-risk projects.
- 2.4 **Outcomes and incentives:** The CMA's easing of early-year targets for water supply interruptions and reducing pollution penalties compare poorly to Ofwat's. Easing these targets weakens incentives where customers expect faster progress.
- 2.5 **Customer voice and accountability:** CCW would like the CMA to explain clearly the links between the extra allowances that the CMA has given to the companies and the specific outcomes that customers will see.
- 2.6 **Complaints metric:** A complaints-volume metric must be introduced now, not delayed to PR29. Usable, comparable data already exists.
- 2.7 **Risk and return:** The provisional Weighted Average Cost of Capital is too high. There is credible scope to set a lower return while maintaining financeability, easing pressure on bills.

- 2.8 **Affordability:** The CMA must show the impact on household bills of each accepted adjustment and apply revenue profiling to smooth bills. Where allowances increase, shareholders must contribute more to ease affordability pressure on customers.
- 2.9 The CMA's overall package could set a worrying precedent. It risks normalising higher company returns and relaxing early-year service targets. This shift could weaken the focus on customers in future price reviews, leading to poorer value and outcomes for billpayers.
- 2.10 Customer trust in the sector is fragile¹. Past CMA determinations have often allowed higher revenues and returns than Ofwat's determinations², which companies have seen as a win. If the final CMA determinations increase bills while easing early delivery, customers may feel they are paying more for less - further damaging perceptions and trust. Companies may also view appeals as a low-risk option, when the likely outcome is more positive for them than Ofwat's determination. This may also set a precedent for similar appeals in other sectors. The CMA must therefore draw a firm line: any increase in allowances must be linked to near-term, measurable improvements and tight conditions on delivery.
- 2.11 Below we offer comments on the CMA's approach to issues that cut across all five provisional determinations and then provide comments on the decisions specific to each of the disputing companies.

3. Over-arching issues

Base costs

- 3.1 CCW supports the CMA's decision to retain Ofwat's modelling and benchmarking approach. In places the CMA applies a tougher efficiency challenge, which protects customers³, ⁴.

¹ As shown in [CCW Water Matters 2025](#). CCW reports that the average customer trust score fell to 6.28/10, noting the previous year's record lows were not a one-off and long-term trends remain negative.

² CMA appeals have delivered more favourable outcomes for companies: in PR19 the CMA increased allowed costs by £400m (+3%) for four water companies and set WACC 0.2pp above Ofwat's FD. Historically, in Bristol Water's appeals the CMA allowed +3% (2010) and +4% (2015) higher efficient costs than Ofwat.

³ Appointee allowed revenue: % change vs Ofwat FD [Vol. 4 p273 Table 9.6](#)

⁴ [Vol.2 p59 table 4.4](#) shows modelled base allowances lower than the Ofwat FD for Anglian, Northumbrian.

- 3.2 Where the CMA's modelling increases individual base cost allowances (for South East, Southern and Wessex⁵), customers must get improvements delivered on time as promised. CCW is pleased the CMA has retained Price Control Deliverables (PCDs), as this is essential to claw back money if work slips or fails.
- 3.3 CCW supports the CMA's strong challenge to company-specific base cost adjustments, as changes must follow transparent, verifiable evidence. We welcome the recalibration of 'what base buys'⁶ using fresher data to reduce the risk of over/under-funding or double payment.

Enhancement costs

- 3.4 Around 90% of the enhancement spending planned for 2025–30 is driven by legal obligations, such as requirements from the DWI and EA. Customers support investment in environmental improvements, but they expect costs to be efficient and justified. CCW welcomes the CMA's thorough review of enhancement cost proposals⁷. We support its use of new modelling techniques and its decision to assess individual cases where models don't provide reliable results⁸.
- 3.5 CCW agrees with the CMA's rejection of weakly evidenced schemes and placing more high-risk or uncertain schemes behind gated processes, so customers only pay when the ability to deliver is proven.
- 3.6 Overall, there are reduced enhancement allowances for Anglian and Southern⁹, but significant increases for Wessex, South East and Northumbrian¹⁰. Where allowances increase, customers are mostly paying to achieve statutory compliance/resilience, not to buy 'extras'. Customers' trust in the sector may be negatively affected if they see they are paying more but not receiving anything tangibly better than the Ofwat final determination.
- 3.7 Gates and cost sharing must be used proactively to manage risk and protect customers from cost overruns. CCW wants to see greater clarity in the following areas:

⁵ South East: £867m vs £844 (+2.7%), Southern: £2815m vs £2764m (+1.9%), Wessex: £1519m vs £1490m (+2%). See [Vol1. P59 table 4.4 \(modelled allowances\)](#)

⁶ For example, km of mains renewed, % of meters replaced.

⁷ Enhancement shifts by company: [Vol. 2, pages 7-8, para 5.10, Table 5.1](#)

⁸ Mostly notably enhancement costs for phosphorus removal, water supply interconnectors.

⁹ Anglian: -£78.8m, Southern: -£11.8m

¹⁰ Wessex: +£239.8m, South East: +£60.6m, Northumbrian: +£168m

- For each scheme placed in a gated process, the CMA must clearly define the criteria, performance triggers, and conditions for unlocking additional funding.
- The CMA must also require transparent reporting on decisions made within gated processes. This will allow stakeholders and customers to scrutinise whether cost increases or changes in scope are justified.

3.8 In its final determinations, the CMA must show that bill increases linked to greater enhancement cost allowances will enable delivery of visible benefits e.g. fewer pollution incidents, meeting tighter permits and improved resilience. Given the scale of enhancement spending to 2030, CCW remains especially concerned about customer value for money.

Outcomes

3.9 Customers pay for water and sewerage with the expectation that the promised service levels, quality, environmental standards and reliability will actually be delivered. In this context, CCW supports the CMA's use of Performance Commitment Levels (PCLs), Price Control Deliverables (PCDs) and Outcome Delivery Incentives (ODIs) as risk protections.

3.10 However, the CMA's provisional determination offers a comparatively poorer outcome for customers in two areas:

- Water supply interruptions Many companies have failed to meet their water supply interruption targets in the last price control period, in an area of service many customers view as a priority¹¹. The provisional determination eases water supply interruption PCLs in the early years of 2025-30 compared to Ofwat's 'flat' target of 5 minutes per property per annum¹². This will dilute the incentive to deal with this issue quickly and could be seen as giving companies the opportunity to backload delivery until later (customers pay now, but get the benefits later). This is an area of service where several companies are failing. It will give customers the impression that two of the worst performing companies (Southern and South East) are receiving a 'lighter touch' for an area of service where customers want to see improvements.

¹¹ [Page 22 of Ofwat's 2024-25 Water Company Performance report](#) says, 'Disappointingly nine companies reported a deterioration in performance over the 2020-25 period. Dŵr Cymru, Southern Water and South East Water had the largest deteriorations in minutes between 2019-20 and 2024-25'.

¹² Water supply interruptions: [Vol. 3 p75 table 6.8](#) shows Ofwat's FD PCL alongside Anglian and Southern's requested PCLs. [Table 6.9 p78](#) then gives the CMA's PCLs. South East is shown in [table 6.11 p97](#).

- Pollution penalties ODI penalties are considerably lower than in Ofwat's final determinations on pollution incidents¹³ as the CMA judged that Ofwat's use of company performance data was too narrow. However, noticeably smaller penalties will weaken deterrence on what is a high-profile area of company performance that is important to customers. Anglian and Southern are significantly below target on total pollution incidents¹⁴ and serious pollution incidents¹⁵. Therefore, it is vital that these companies are strongly incentivised to improve. The CMA's provisional determination weakens this.

3.11 CCW is pleased that the CMA rejected some of the companies' arguments for more flexibility and softer penalties and targets in PCLs and ODIs.

Price Control Deliverables (PCDs)

- 3.12 Any adjustments to PCDs must be subject to robust demonstration that they will benefit customers (not just ease for companies). The CMA has retained the Ofwat PCD framework with little adjustment, rejecting many company requests as unjustified. CCW has some concerns with individual company adjustments which are set out in the comments in Section 4.
- 3.13 CCW welcomes the CMA's approach in keeping the grade 4/5 requirement for the uplifted part of mains renewals¹⁶. This will help ensure companies need to prioritise the highest-risk mains, not the cheapest-to-renew.
- 3.14 Where external or uncontrollable events cause delays, CCW agrees there should be allowance mechanisms or appeals for PCDs, though this should be based on a high evidence bar and subject to transparency and consultation before changes are applied.
- 3.15 CCW strongly recommends including a complaints volume metric/PCL in the outcomes framework because complaints are a direct measure of customer experience.

¹³ The CMA provisional ODI rates for total pollution incidents are set out in [table 6.20 Vol.3 p127](#). The CMA rates are significantly lower than the equivalent rates in Ofwat's FD, shown [in table 6.18 Vol. 3 p121](#)

¹⁴ See [page 32 of Ofwat's Water Company Performance Report 2024-25](#), which says, 'Although Southern Water has improved its performance over the 2020-25 period, it continues to report one of the highest numbers of pollution incidents per 10,000 km of sewer...Wessex Water and Northumbrian Water reported the largest deterioration in performance over the 2020-25 period with pollution incidents per 10,000 km of sewer increasing by 186% and 154% respectively'.

¹⁵ See [Environment Agency Water and Sewerage Companies in England Environmental Performance Report for 2024](#): Para 1.4 Serious Pollution Incidents

¹⁶ See [Vol. 3 paras 6.57 and 6.58 p28-29](#)

3.16 The CMA's provisional rejection due to data quality concerns¹⁷ is overstated and a missed opportunity because:

- There is already usable, comparable data. CCW (and companies) publish regular, standardised complaint volumes and league tables (household and business)¹⁸. Trends are clear and rank companies meaningfully; CCW's complaints assessments also provide an independent cross-check.
- Other UK regulators successfully use complaint-rate metrics¹⁹. Ofcom and Ofgem routinely publish and benchmark complaints per 100k customers and use them to drive accountability. This shows such a measure is practical and robust enough for incentives. Water must not be an outlier.
- CCW has long argued C-MeX must include a complaints-volume component or a separate complaints volume-based ODI²⁰. This could be implemented quickly with assurance/audit protections and will be less gameable than surveys.
- Excluding complaints leaves a real gap in incentives. Complaints have risen in recent years, yet companies can still earn C-MeX rewards based on satisfaction surveys. Without a complaints element, there's no financial push to reduce volumes.

3.17 The sector has enough consistent data **now** (backed by assurance and cross-checks). There is no reason to delay this much needed customer-facing incentive for another five years.

Risk and return

3.18 According to CCW's analysis by MCC Economics,²¹ the CMA's provisional determination of the appointee Weighted Average Cost of Capital (WACC) at 4.29% (real)²² is too high. We

¹⁷ See [Vol 3. Para 6.347 p109](#)

¹⁸ For example, [CCW's household complaint handling report 2025](#)

¹⁹ Which the CMA acknowledges in [Vol. 3 para 348 p109](#)

²⁰ For example, [CCW's response to the Ofwat PR24 draft determinations](#) ('customer experience' section).

²¹ [MCC Economics \(for CCW\) review of the Ofwat FD WACC](#).

²² [Vol. 4 table 7.1 p11](#)

are concerned that the CMA has placed too much weight on '*weak investor sentiment*'²³ and, in doing so, has shifted financial risk onto customers. MCC's analysis for CCW indicates credible headroom to set a materially lower WACC while maintaining financeability, which would deliver substantial bill relief to customers.

3.19 Customers should not be the shock absorber for investor concerns and pay higher bills to rescue highly geared or underperforming companies. That outcome would be unfair for customers and weaken incentives on companies to manage their finances prudently. The CMA needs to protect customers, instead of delivering an uplift that benefits companies and shareholders at customers' expense.

3.20 We therefore ask the CMA to set a lower WACC for the disputing companies by addressing the following issues:

- High gearing can make companies' finances fragile and push up their debt costs²⁴, ²⁵. Instead of addressing that leverage directly, the CMA's provisional decision raises the allowed return (from 4.03% to 4.29%) which risks shifting costs to customers rather than fixing balance-sheet risk.
- Several recent CMA choices on the risk-free rate, beta and Total Market Return (TMR) depart from previous CMA practice and from long-run evidence, as well as being above Ofwat's parameters²⁶. Each of these choices pushes the allowed return up. We ask the CMA to revisit these parameters and align them more closely with the evidence.
- We do not consider the CMA has yet demonstrated that 'aiming up' will deliver additional investment or customer benefits²⁷. Nor has the CMA carried out a transparent cost v benefit test. Other regulators have cautioned that aiming up is a blunt and distortionary tool. We therefore ask the CMA not to aim up here.

²³ [Vol 4 p125 para 7.551-7.552](#)

²⁴ Ofwat's notional gearing in its PR24 Final Determination is 60%. All five disputing companies have higher gearing as of 31 March 2025: Anglian 71.2% Northumbrian 71.% Southern 74% South East 77.8% Wessex 68.8%

²⁵ See Appendix pages 3, 20, 21, 35, 36, 37

²⁶ See Appendix pages 4, 12, 13, 14

²⁷ See appendix pages 15, 16, 17, 18, 22.

- We note that the CMA has at its disposal a wide set of options (on debt costs, on the risk-free rate, on TMR, on beta and on inflation assumptions) that would enable it to reduce the WACC without harming efficient future investment. We ask the CMA to deploy those options.

3.21 The CMA's primary duty is to protect customers. That duty includes supporting financial resilience, but in a way that is targeted, proportionate and does not undermine already fragile customer trust in the sector. Companies already tend to outperform the allowed return over time. Against that background, there is no compelling case to add a further margin.

3.22 As several of the disputing companies are among those with the weakest customer trust scores and the highest gearing, it would be especially inappropriate to ask customers to subsidise those companies through a higher WACC.

3.23 There is also a risk of setting a precedent that could disadvantage customers in the future. In 13 out of 14 previous water appeals the CMA increased the WACC for disputing companies²⁸. That pattern creates the perception of a 'one-way bet' in favour of companies and against consumers. We call on the CMA to break this pattern.

3.24 MCC's review of the CMA's provisional WACC is included as an appendix with this response and provides further analysis and evidence to support the above points.

Bills and affordability

3.25 Many households continue to face significant financial hardship²⁹. The CMA's provisional determinations are lower than the levels that companies implied in their appeal submissions³⁰. But even small nominal bill increases have real impacts on disposable income.

²⁸ See appendix page 5.

²⁹ [The National Red Index 2025: negative budget households face a debt crisis like quicksand - Citizens Advice /Financial Fairness Tracker](#) University of Bristol tracker from autumn last year (published Jan 25) [Nearly all large families on low incomes trapped in hardship by cost of living pressures | Joseph Rowntree Foundation](#) from July this year

³⁰ [Vol.4, chapter 9 Table 9.8 p274](#) shows that average bill levels will increase above the Ofwat FD: Per-company PD vs FD bill levels (company-average, AMP8):

- Anglian: £599 (FD: £591; +1.3%)
- Northumbrian: £495 (FD: £488; +1.3%)
- South East Water (water-only): £286 (FD: £274; +4.4%)
- Southern: £638 (FD: £620; +2.8%)
- Wessex: £622 (FD: £594; +4.7%).

3.26 While the CMA acknowledges these pressures³¹ and says it took affordability into account,³² CCW recommends that it goes further:

- The CMA must explicitly quantify the average bill impact per household of each accepted adjustment.
- It must also use revenue profiling to smooth bill trajectories and avoid sharp year-to-year increases. The final determination must show how this will be used to spread charges over the period. Research shows customers generally prefer smooth bill increase profiles³³.
- Where additional cost allowances are granted, the CMA must encourage shareholder contributions to affordability support to reduce the burden on more vulnerable customers.
- The CMA must reiterate the need for stronger social tariff schemes, even though it cannot itself design or mandate them. The CMA can, however, emphasise that affordability support must expand in parallel with any upward adjustments in allowed revenues.

3.27 The provisional determinations could have better presented the overall impact on customer bills³⁴. This is what generally concerns customers most³⁵. Customers need to know why the bill moves, what they get, how bills evolve year by year, and how performance and gated projects could change things. The final CMA determinations should also emphasise the need for companies to also explain this to their customers.

3.28 The provisional determination gives one table of indicative company-average household bills (real 2022-23 prices) assuming a flat real profile in Years 2 to 5 purely for illustration³⁶ and defers actual profiling to Ofwat. Customers do not see what their bill could look like each year in *nominal* terms, which is what they will pay.

³¹ For example, [Vol. 1 p12 para 2.8](#)

³² For example, [Vol.2 p17 para 2.19](#)

³³ For example, [Northumbrian PR24 customer research](#) (p29), [Wessex Water PR24 business plan overview](#) (p137)

³⁴ Indicative bills: [Vol. 4 table 9.8 p274](#)

³⁵ [CCW research to test the PR24 Draft Determinations for customer affordability and acceptability.](#)

³⁶ Indicative bills: [Vol. 4 table 9.8 p274](#)

3.29 In its final determination, the CMA must show a nominal, year-by-year bill path for AMP8 under the intended profiling, alongside the real figure to provide greater clarity.

Accountability, transparency and customer voice

3.30 Customers need to see what they will get for what they pay - fewer supply interruptions, cleaner rivers and seas, and better environmental protection.

3.31 While the provisional determinations show how the CMA considered customer-engagement evidence (affordability/acceptability, priorities, CCW input) to frame what is in consumers' interests, CCW recommends that the CMA makes the connection between allowances and outcomes more explicit.

3.32 In its final determination, the CMA must include a customer-friendly summary that explains *'because we raised allowance by £X, you will get Y km of mains, Z meters, A fewer interruptions, B fewer spills'* for each company.

3.33 In its final determination the CMA must also set expectations for Ofwat's Annual Performance Reports, specifically:

- Annual publication of outturn spend vs. allowance, with clear attribution of benefits.
- Transparent reporting on delivery progress against funded projects

4. Comments on individual companies

Anglian

4.1 Anglian customers face particular service challenges linked to water scarcity and climate resilience. CCW's review of the provisional determination suggests that Anglian customers will still face higher bills³⁷ with little additional improvement in service reliability, environmental outcomes or customer experience compared to the Ofwat final determination package.

4.2 Base costs The CMA trimmed Anglian's base cost allowance slightly vs Ofwat's final determination³⁸ (mainly from a tougher efficiency challenge). CCW supports a firmer efficiency

³⁷ 1.3 % above Ofwat's PR24 Final Determination, largely due to WACC and incentive adjustments.

³⁸ [Vol. 4 table 9.1 \(p270\)](#) shows 1.1% reduction in base cost allowance.

challenge. We note added base cost funding for meter replacement and network reinforcement³⁹ We agree customers should see these outputs delivered within base costs.

- 4.3 Enhancement Overall, the allowance is 0.3% lower than Ofwat's final determination⁴⁰. Funding is rebalanced towards drought resilience and interconnection, but outcomes are mainly statutory/compliance rather than extras for customers. This means delivery safeguards via PCDs must remain intact. The CMA sets £797m for Anglian's phosphate removal (about 13% above the revised company request) but £156m below Ofwat's allowance⁴¹. The CMA used its own benchmarking and disagreed with both Ofwat's and Anglian's methods. CCW supports the environmental benefits of better phosphorus removal, but customers should not be charged more than is demonstrably necessary. If the CMA's efficiency model implies Anglian needs more than the company itself asked for, we want strong safeguards, so customers don't overpay and any underspend is swiftly returned.
- 4.4 Outcomes CCW agrees with retaining strong PCDs for metering, lead pipe replacement and mains renewal. We support rejecting Anglian's request to simplify the smart metering PCD to a single count. Keeping the household vs non-household split preserves transparency. We want to ensure that smart metering is rolled out to business customers at the same rate as households.⁴² Merging the measure will make it easier for companies to install smart meters in households only as they tend to be easier to meter. We are also concerned about eased early year targets for water supply interruptions and external sewer flooding along with lower pollution penalties compared to Ofwat's final determination. We prefer to see a stronger incentive in place to drive early delivery of improvements a time when customers' bills are significantly increasing to demonstrate greater value.

Northumbrian

- 4.5 The CMA's provisional package gives Northumbrian slightly higher total revenue (+1.0%) than Ofwat's final determination, mainly via enhancements (+1.8%) with high uncertainty schemes gated, though base costs are trimmed (-1.5%) through a tighter efficiency challenge⁴³.

³⁹ Meter replacement adjustment changes: [Vol. 1, pages 134-135, table 4.11](#). Network reinforcement adjustment changes: [Vol. 1 p138 table 4.13](#).

⁴⁰ [Vol. 4 table 9.2 p270](#)

⁴¹ Anglian phosphorus removal: [Vol.2 p8, table 5.1](#)

⁴² The non-household retail market uses a third of the overall water use (c 3bn litres a day with a much lower customer base) so there are greater water saving opportunities - particularly among the larger water users)

⁴³ Allowed revenue (CMA vs Ofwat FD) [Vol. 4 table 9.6 p272](#). Base and enhancement cost allowances (CMA vs Ofwat FD): [Vol. 4 table 9.2 p270](#).

- 4.6 Base costs CCW supports a stronger catchup challenge while recognising more funding for meter replacement and reinforcement in line with customer priorities.
- 4.7 Enhancement CCW agrees with gating significant schemes and expect clear criteria, staged gates (for £148m of enhancement schemes⁴⁴) and transparent reporting. Much of the uplift funds statutory outcomes, not extras for customers. Customers will pay a little more upfront than Ofwat set with the bulk of the 1.8% uplift⁴⁵ to deliver statutory outcomes (especially phosphorus removal). So, we are disappointed that customers will not see any additional value beyond the environmental compliance.
- 4.8 Outcomes CCW welcomes retaining key PCDs and PCLs, but we are concerned about easing early-year interruption targets and lowering pollution penalties. We support rejecting broader substitution on the lead replacement PCD to avoid cherry-picking financially favourable categories of lead pipe in the delivery of this programme.

South East

- 4.9 For South East customers, the CMA's provisional package raises allowed revenue by 4.3% versus Ofwat's final determination and adds enhancement funding (net +10.3% after frontier shift)⁴⁶, while gating some schemes⁴⁷. A further increase to bills will not be popular with customers. CCW's research on Ofwat's draft determination told us that the 15% of people struggling to afford their 2024-25 bill would increase to 38% for the proposed bill⁴⁸. This further increase will increase the number of people unable to afford their water bill. Any extra money must translate into fast, visible improvements in reliability and be supported by an affordability package.
- 4.10 Financing CCW welcomes the rejection of the +30 bps ask on embedded debt⁴⁹, avoiding extra pressure on bills.

⁴⁴ [Vol. 2 table 5.7 p64](#)

⁴⁵ [Vol. 4 table 9.2 p270](#)

⁴⁶ Allowed revenue (CMA vs Ofwat FD) [Vol. 4 table 9.6 p272](#). Base and enhancement cost allowances (CMA vs Ofwat FD): [Vol. 4 tables 9.1 and 9.2 p270](#).

⁴⁷ [Vol. 2 table 5.7 p64](#)

⁴⁸ [CCW research to test Ofwat's draft determinations for customer acceptability and affordability](#). Full report, page 27

⁴⁹ South East embedded debt: [Vol 4, page 185 para 7.779](#)

- 4.11 Base costs The increase (+2.8%) addresses modelling issues and supports higher funding allowances for meters and network reinforcement - areas customers care about. This strengthens the case for tougher early-year targets, not softer ones.
- 4.12 Enhancement There is a 10.3% uplift focused on increased funding for leakage, resilience and demand reduction. CCW agrees with gating some uncertain schemes (worth £9m) and rejecting weakly evidenced cases. The CMA's use of PCDs should drive delivery and prevent delay.
- 4.13 Outcomes Given South East's poor record on water supply interruptions⁵⁰, CCW does not agree that early-year targets should be eased (even if the sector's end-target remains). The supply interruption target has been five minutes across AMP7. Lowering it for the start of AMP8 lessens the penalty South East receives for failing to consistently provide water supply resilience and instead accepts a below standard performance. This is of no benefit to customers of South East Water, who should expect consistent, uninterrupted water. The same applies to leakage: the end level is unchanged, but early years are less stretching. Adjusted ODI collars help but do not remove the risk that customers wait longer for improvements they are paying for.

Southern

- 4.14 The CMA's allowed revenue for Southern is above Ofwat's final determination and will lead to higher bills for customers (+2.8% higher than the final determination)⁵¹. This will not be popular with customers, who will expect any rise to translate into visible additional improvements.
- 4.15 Base costs A larger allowance (+2.4%)⁵² increases funds for mains renewal, meter replacement and growth-related reinforcement. In this scenario, customers must get the same or better outputs than in Ofwat's final determination and the company must meet commitments given its recent performance if it is to rebuild its reputation and regain the trust of its customers.

⁵⁰ See [Ofwat Water Company Performance Report 2024-25](#) p22: 'South East Water had the largest deteriorations in minutes between 2019-20 and 2024-25'.

⁵¹ Allowed revenue (CMA vs Ofwat FD) [Vol. 4 table 9.6 p272](#)

⁵² Base and enhancement cost allowances (CMA vs Ofwat FD): [Vol. 4 tables 9.1 and 9.2 p270](#).

- 4.16 Enhancement CCW supports the CMA's prudent approach in its provisional determination to set a slightly lower allowance (1.1% less) than Ofwat's final determination overall, with weak or uncertain schemes trimmed or gated as a protection for customers.
- 4.17 Outcomes CCW supports the CMA in confirming firm storm overflow targets and incentives and rejecting requests to soften drinking water quality incentives. ODIs are designed to encourage companies to meet PCLs, and we do not want to see any lessening of incentives for the delivery of improvements in services that customers expect. We remain concerned about easier early-year interruption targets and lower pollution penalties as these are key priorities for customers. We also support rejecting Southern's mid-period PCD change mechanism to preserve accountability.
- 4.18 Affordability CCW's research of affordability showed that only 11% of Southern Water's customers found the bill rises associated with Ofwat's draft determination affordable⁵³. This underlines the need for the company to offer stronger support to its customers struggling to pay their bills. ODI penalties should not be used to fund social tariffs. We expect shareholders to contribute more to company schemes. Not only does this help ease the burden on customers but it will also help enhance the reputation of the company.
- 4.19 Financing CCW supports the CMA in not uplifting allowed return to offset potential RoRE impacts from PCD clawbacks as we agree that doing so would blunt delivery incentives.

Wessex

- 4.20 Wessex's allowed revenue is 3.8% above Ofwat's final determination⁵⁴, driven by a higher finance allowance and a large model-based enhancement uplift; base costs also rise. This results in a significant additional increase to customer bills. CCW's draft determination research showed that 31% of customers would find their bill difficult to afford⁵⁵. The CMA must recognise that there was a significant increase in allowed revenue from draft determination to final determination, and there is now another increase. This will present increased affordability concerns for customers.

⁵³ [CCW's research to test the customer affordability and acceptability of Ofwat's draft determinations](#) full report p27

⁵⁴ Allowed revenue (CMA vs Ofwat FD) [Vol. 4 table 9.6 p272](#)

⁵⁵ [CCW's research to test the Pr24 Ofwat Draft Determinations for customer acceptability and affordability](#) full report p27.

- 4.21 Base costs An increase (+1.8%), notably for meter replacement⁵⁶. Given higher cost, PCDs must ensure delivery.
- 4.22 Enhancement Significant 12.9% uplift - largely for statutory phosphorus removal where Ofwat's model may have understated efficient costs. This is compliance funding with no 'extras' for customers, so the CMA must ensure that strong PCDs protect delivery.
- 4.23 Outcomes Aside from the wider concerns on interruptions and pollution penalties, CCW supports retaining Ofwat's PCD framework for Wessex. We agree with rejecting Wessex's proposal to apply PCDs only to uplift above base model allowances for mains renewals – base-funded improvements must also be transparently delivered by companies.

5. Looking ahead

- 5.1 The CMA's decisions will shape regulatory expectations for PR29 and beyond. CCW therefore asks the CMA to use its final report to:
- Highlight systemic weaknesses that undermine consumer protection (e.g. inconsistent affordability support, unclear base/enhancement boundary).
 - Encourage reforms to ensure customer affordability and service quality are embedded as equal priorities alongside efficiency and financeability.
 - Signal that companies must engage meaningfully with customers and evidence genuine public value when seeking additional funding.

Enquiries

Enquiries about this submission should be addressed to:

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⁵⁶ Base and enhancement cost allowances (CMA vs Ofwat FD): [Vol. 4 tables 9.1 and 9.2 p270](#).