

24 September 2026

Ofwat
Centre City Tower
7 Hill Street
Birmingham
B5 4UA

By email: costchange@ofwat.gov.uk

Dear Ofwat

I am writing on behalf of the independent WaterShare+ Customer Panel in respect to the 2026 Cost Change Process draft determination for South West Water (inclusive of Bristol Water and Bournemouth Water) and SES Water.

Initial submission

You will recall that the Panel was invited to provide in-depth scrutiny and challenge as the company developed their proposed application for the 2026 Cost Change submission.

The company met with the Panel on three separate occasions through the development of their submission, with sessions focused on the process itself, a deep dive into the proposed schemes, and an overview of the supporting customer research findings.

We were particularly interested in the findings of the customer research, which we interrogated in some depth and sought provision of information triangulating this with the extensive research conducted for the last price review for the business plan. We were satisfied that the new research undertaken reflected customer preferences, which was in turn reflected in the submission.

We were supportive of the company's case on the basis of in-period revenue recovery as customers clearly prefer a smooth bill profile, with a preference for early investment, and strongly urged that Ofwat should place significant weight on these customer views in its determination.

Draft Determination

Following Ofwat's draft determination, the Panel have met with the company on two occasions to discuss the conclusions and areas on which representations were going to be made. The Panel were pleased to see that overall, the company had been successful in its submission. We remain satisfied that the proposed investment remains consistent with customer priorities and that the company has demonstrated an appropriate balance between affordability, service improvements and long-term resilience.

We were disappointed to see that no in-period revenue recovery was allowed for the company. The issue of intergenerational fairness is one that we have continuously highlighted to Ofwat and the company's research showed that there was a clear preference of customers for a smooth bill profile and early investment.

At a time of heightened public scrutiny in the sector, it is particularly important that customer views are demonstrably reflected in key decision processes such as Cost Change. Importantly, Ofwat's own Consumer Involvement in Decision Making Rule recognises that the best decisions are shaped by customer preferences. It is our view that the outcome on in-period funding does not fully reflect the clear and consistent customer evidence presented by the company and we are concerned that customer views have not been given sufficient weight.

We are equally concerned that insufficient consideration has been given to the company's additional expenditure on base capex, which they wish to maintain with this targeted new investment. The cost change investment is planned over 2027-2030, by the time of which the company expect to have recovered their initial slower start on enhancement expenditure, reducing the pressure on base capex. Around 90% of the additional expenditure falls within the base service, where the company overspent in 2025/26. To us, this demonstrates that while enhancement expenditure is currently below profile, overall expenditure remains high – with water costs primarily driven by leakage activity, while wastewater costs reflect increased pumping, infiltration and pollution-related expenditure. In-period funding will therefore allow better investment and delivery for customers

As a matter of good practice we want to consider the customer impact to include the wastewater bill for areas where Pennon only provide water services. For the cost change draft determination the wastewater bill element for Southern and Thames is less than 50p, and for Wessex (supplying Bristol and Bournemouth areas), the 2029/30 in period bill is £5. We remain supportive of the Pennon in-period proposal having considered this context.

Given the severe potential impacts on customers of the cyber threat, we were also disappointed in the lack of funding for the Cyber case. Ofwat recognise in the draft determination that 'cyber security is an ongoing risk to the sector and we expect all companies to react and invest as necessary.' The company have been proactive in addressing this risk, but without appropriate funding there is a risk that the sector's ability to keep pace with emerging threats could be constrained. The industry's role as part of the country's wider system resilience must not be understated. You need only look to recent incidents at Gatwick which, whilst not related to a cyber incident, shows the impact that a cyber incident on our infrastructure could have. We therefore encourage Ofwat to reconsider its position, and recognise the importance of bringing forward sustained cyber investment in protecting customers and delivering resilient services.

Conclusion

Overall, the panel has significant concerns regarding the decision to not allow in-period funding. Based on evidence presented to us, customers have expressed a clear preference for a smoother bill profile, earlier investment and an approach that supports intergenerational fairness. We therefore urge Ofwat to take customer views into account when issuing its final determination and allow in-period funding.

Best wishes



Matthew
Lord Taylor of Goss Moor
Chair, WaterShare+ Group Panel