August 2026

Notification of the PR24 cost change process draft determination for Anglian Water

Ofwat

Mark Thurston
Chief Executive Officer
Anglian Water Services Limited
Lancaster House
Lancaster Way
Ermine Business Park
Huntingdon
PE29 6YJ

Dear Mark,

Cost change draft determination 2026

13 August 2026

I enclose in Appendix 1, the cost change draft determination by the Water Services Regulation Authority (Ofwat).

This draft determination is published on our website. We also publish the following documents, which support our cost change draft determination for Anglian Water:

- Cost change draft determinations 2026 - Sector Overview;
- Cost Change draft determinations 2026 – Price control deliverables appendix;
- Cost Change draft determinations 2026 – Asset health cross cutting issues appendix;
- Cost change draft determinations 2026 – Asset health PCDs;
- Cost change draft determinations 2026 – Growth PCDs; and the
- Cost change draft determinations 2026 suite of models

In accordance with sub-paragraph 15ZA.1 of Condition B: Charges of Anglian Water Services Limited's appointments as a water and sewerage undertaker, Ofwat now gives notice of its intention to determine the questions set out in sub-paragraph 15ZA.3 of Condition B in relation to the following Eligible Item(s):

- 3. Asset health

I enclose the following additional information relevant to our decisions within the appendices of this document:

Appendix 2: Our draft determination on how Anglian Water's expenditure allowances are funded.

Appendix 3: Our detailed assessment of, and decision on, Anglian Water's submitted claims.

Anglian Water should ensure that it reads all the information referred above before responding to this consultation. The closing date for responding to this draft determination consultation is 24 September 2026. Anglian Water has published its cost change submission on its website. We include a link to this publication on our website.

Yours sincerely,

Helen Campbell

Executive Director, Delivery

Contents

Appendix 1: Cost change draft determination

In Anglian Water's 2026 cost change submission, we received four claims across the following cost areas:

- Asset Health: water network storage assets
- Asset Health: gravity sewers inspection
- Asset Health: gravity sewers rehabilitation
- Growth: growth at sewage treatment works

Table 1 below provides a summary of our draft determination total cost change expenditure allowance compared to the cost change expenditure you requested in your submission. We explain our decisions in Appendix 3 of this document.

Table 1: Breakdown of the difference between Anglian Water's view and Ofwat view of costs (£million, 2022-23 FYA CPIH prices)

	2025-30 period	2030-35 period
Company total cost change claim	332.2	0.0
Ofwat 'insufficient evidence of need' or 'out of scope of cost change process' assessment[1]	-198.2	0.0
Company total 'in scope' cost change claim[2]	134.0	0.0
Ofwat 'best option' challenge[3]	0.0	0.0
Ofwat efficiency challenge[4]	-4.9	0.0
Ofwat draft determination cost change allowance	129.1	0.0

Our draft determinations include price control deliverables (PCDs) to hold Anglian Water to account for delivery of these schemes. Our approach to PCDs is set out in the Cost Change Draft Determinations 2026 – Price control deliverables appendix.

The impact of our draft determination for revenue and RCV adjustments by price control are set out in tables 2 and 3 below.

[1] Details of costs excluded are set out in 'Cost Change Draft Determinations 2026 – Asset health cross cutting issues appendix' and in appendix 3 of this document.
[2] The company's total eligible cost claim that demonstrates the need for the required step change in investment and is within the scope of the cost areas.
[3] Our review of the company's evidence of optioneering and associated cost benefit analysis and that the options put forward are the best option for customers.
[4] Our review of the company's evidence of efficient unit costs and associated methodology.

Table 2: Anglian Water's draft determination revenue adjustments by price control and when they apply (£million, 2022-23 FYA CPIH prices)

	Water resources	Water network plus	Waste-water network plus	Bio-resources	Total
Total in-period revenue adjustment for 2027-28	0.000	0.000	0.000	0.000	0.000
Total in-period revenue adjustment for 2028-29	0.000	0.000	0.000	0.000	0.000
Total in-period revenue adjustment for 2029-30	0.000	0.000	0.000	0.000	0.000
Total end of period revenue adjustment at PR29	0.000	0.761	23.646	0.000	24.407

Table 3: Anglian Water's draft determination RCV adjustments by price control (£million, 2022-23 FYA CPIH prices)

	Water resources	Water network plus	Waste-water network plus	Bio-resources	Total
Total end of period RCV adjustment at PR29	0.000	0.000	114.629	0.000	114.629

Since our draft determination does not include any in-period revenue adjustments resulting from the cost change process, there are no changes to the company's last determined price controls or customer bills[5].

[5] For Anglian Water, the last determined priced controls are those redetermined by the Competition and Market Authority.

Appendix 2: Our draft determination on how we fund Anglian Water's expenditure allowances

Anglian Water requested in-period funding for its cost changes allowances in its submission.

We must determine whether expenditure allowed in the cost change process requires a change to company price controls to allow in-period funding. The cost change guidance notes set out our approach to assessing whether to provide in-period or end of period funding for allowed expenditure. The factors we consider are set out in section 5 of PR24 Cost change draft determinations 2026 – Sector overview document.

Where we provide in-period revenue adjustments, this consists of:

- any pay as you go expenditure reflecting operating expenditure (opex) allowances;
- allowed return on any committed additions to RCV, based on the allowed return in companies' PR24 determination;
- run-off on any committed additions to RCV based on the final determination RCV run-off rates for the relevant wholesale controls; and
- where applicable, we will also provide issuance costs for additional required equity identified within the financial model at the same rate as for the final determinations of 2.5% of new equity.

For Anglian Water we do not allow in-period funding for allowed expenditure. Details of the resulting revenue adjustments are set out in appendix 1 of this document. Our decision reflects our consideration of the relevant factors in the round.

- We do not provide in-period funding for £102.8 million of allowed expenditure for Anglian Water's growth claim. In-period funding is not available for growth related expenditure in the 2026 cost change process, although this may be possible for 2027.[6] Funding for the growth allowances will be provided through an adjustment to RCV at 31 March 2030 and an adjustment to revenues over the 2030-35 price control period.
- Our assessment of Anglian Water's Asset health expenditure claims are set out in detail in appendix 3. The £26.3 million of allowed asset health expenditure does not meet the materiality threshold so we do not provide in-period funding. Our assessment of materiality reflects our view of the allowed expenditure. Because this is below the materiality threshold for draft determination we do not provide in-period funding for it. Funding for the allowed asset health expenditure will be

[6] We recently published a licence modification consultation which would allow in-period funding for growth from 2027. Ofwat, 'Demand-Growth-Cost-Change-Licence-Modification-Consultation.pdf', July 2026

provided as an adjustment to RCV at 31 March 2030 and an adjustment to revenues over the 2030-35 price control period.

If Anglian Water wishes to make the case for in-period funding in its response to our draft determination, it should include consideration of the impact of both the cost change and ODI payment processes in its response to the draft determination[7]. This should take account of our draft determination (and the company's view of this) and any other factors or changes since it submitted its claims during the March to May 2026 submission window. This should take account of the latest view on progress on delivering existing investment programmes.

As part of the cost change process, we assess progress by companies in delivering their existing investment programme. We set out our assessment of delivery for Anglian Water.

A2.1 Delivery assessment

2025-30 delivery

We reviewed the company's May 2026 delivery plan update. On balance, although we have some concerns about the company's output forecasts, overall, we consider that the company has provided sufficient and convincing evidence that it remains on track to deliver its PR24 commitments by the end of 2025-30 period. We provide a summary of our assessment below for water and wastewater.

Water

In its May delivery plan update the company showed the following positive indicators in relation to the 2025-30 period delivery progress for water:

- The company showed good progress in relation to water price control deliverables (PCD) outputs, delivering above baseline target in 2025-26 (see section below on delivery in 2025-26).
- The company reported meeting all of its interim milestones in 2025-26.
- The company spent most of its water PCD allowances in 2025-26 and is forecasting to slightly overspend PCD allowances by the end of the 2025-30 period.
- The company remains confident that it will deliver all of its PCD outputs by the end of the 2025-30 period.

However, there are still some indicators that raise concerns in relation to the company's delivery forecasts for the 2025-30 period:

[7] Ofwat, 'IN 26/01 Submission of cost change applications', February 2026

- The company failed to provide information on interim milestone 3[8] which is the contract award stage. The company however explained that this is because it operates a different delivery model that does not map well to our interim milestones. It suggested that the contract award stage is closer to our interim milestone 2, which is the optioneering stage, as the work tends to be released to delivery partners at that stage of the process.
- The company shows a back end loaded delivery profile, forecasting to have almost 50% of capital schemes not yet in construction by the end of 2027-28. This is below the sector average and so we are concerned that this leaves little headroom for the company to manage any risks and respond to unforeseen events, and deliver the programme in full by the end of the 2025-30 period.

Wastewater

In its May delivery plan update the company showed the following positive indicators in relation to the 2025-30 period delivery progress for wastewater:

- The company showed good progress in relation to wastewater PCD outputs, delivering significantly more than baseline target in 2025-26 (see section below on delivery in 2025-26)
- The company reported meeting most of its interim milestones (73%) in 2025-26.
- The company remains confident that it will deliver all of its PCD outputs by the end of 2025-30 period.

However, there are still some indicators that raise concerns in relation to the company's delivery forecasts for the 2025-30 period:

- The company underspent its wastewater PCD allowances in 2025-26 by 42%, suggesting there may be some slippage in the delivery plan. The company is forecasting to catch-up with allowances by 2026-27 and overspend PCD allowances by the end of 2025-30 period.
- The company failed to provide information on interim milestone 3 which is the contract award stage. The company however explained that this is because it operates a different delivery model that does not map well to our interim milestones. It suggested that the contract award stage is closer to our interim milestone 2, which is the optioneering stage, as the work tends to be released to delivery partners at that stage of the process.
- The company shows a heavily back end loaded delivery profile, forecasting to have 67% of capital schemes not yet in construction by the end 2027-28. This is significantly below the sector average and so we are concerned that this leaves

[8] Ofwat, 'Delivery plan guidance', February 2026, section 2.1.3

little headroom for the company to manage any risks and respond to unforeseen events, and deliver the programme in full by the end of 2025-30 period.

Delivery in 2025-26

Based on its May 2026 delivery plan update, the company has demonstrated that it is not behind delivery in 2025-26:

- On water, the company reported delivering 19% more PCD outputs (in value terms) in 2025-26 compared to baseline target.
- On wastewater, the company reported delivering 200% more PCD outputs (in value terms) in 2025-26 compared to baseline target.

A2.2 Financeability assessment

Anglian Water requested in-period funding within its cost change submission. The company provided the impact of its current 2026 submission on key financial ratios and the impact of potential future submissions totalling £900 million over the next three years. The impact of the 2026 submission was marginal and the adjusted interest cover and funds from operations to net debt ratios remain above our final determination guidance for the target credit rating. Whilst the financial ratios deteriorated more rapidly when considering the impact of three years of cost change submissions, we will reconsider financeability at that time based on the actual submissions.

Anglian Water also set out that in-period funding is essential to supporting the affordability of additional investment and investor confidence. The company also set out that customers strongly prefer phased bill changes rather than large step-changes at the start of a price control period.

We have set out our approach to assessing financeability in annex A2.2 of the PR24 cost claim draft determinations 2026 sector overview report. We have assessed Anglian Water's financeability on the basis of the notional capital structure within a copy of the CMA's final determinations financial model by adding in the additional cost allowances in our draft deteminations. We have maintained other assumptions, including the allowed return on capital, in line with the final determinations that applied to Anglian Water. Our financeability assessment assumes the company spends its total expenditure (totex) allowances according to the profile set out in the final determinations and has no under- or out-performance.

Although Anglian Water does not qualify for in-period revenue, we assess that Anglian Water remains financeable without the provision of in-period revenues. The additional expenditure has a minor impact on financial ratios, which remain, on average, consistent with the target credit rating.

Appendix 3: Our assessment of and decision on Anglian Water's submitted claims

This appendix sets out our detailed assessment of, and decision on each of the company's 2026 cost change claims. It should be read alongside the documents specified in the first page of this draft determination.

In its response to the draft determination, the company should confirm, to the extent that it has not already done so, which proposed schemes could impact sites of special scientific interest (SSSIs) or land in National Parks, the Norfolk and Suffolk Broads, or areas of outstanding natural beauty.

Appendix 3: Our draft decision on how Anglian Water's expenditure allowances are funded

A3.1 Asset health

3.1.1 Water network storage assets

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
Summary of investment	Anglian Water requests £176.0 million[9] funding for "storage point" asset health. The proposal covers four packages: service reservoirs internal remediation (£77 million), service reservoir roof membrane installation (£36 million), water tower external condition (£7 million), and storage points extensive intervention (£56 million).		
Need for a step change in investment	**Decision: Fail** The company does not provide sufficient and convincing evidence to demonstrate that the proposed investment of £176 million meets the 'Need for step change in investment' criteria. **Company evidence** The company provides a historical narrative on deterioration, including age profile, inspection findings, priority defects and the Newmarket example. The company describes current asset condition and associated risks, including public health, supply resilience, safety and compliance risks[10]. The company explains that deterioration is expected to accelerate and refers to their Asset System Resilience Appraisal (ASRAP)	**Fail**	£176 million

[9] Anglian Water also requests £3.84m of OPEX funding for the 2030-35 period. As this is past the point of scheme delivery, this has been excluded from the assessment.

[10] Anglian Water, 'PR24 Cost Change Proposal Storage Points', May 2026, p.7

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	outputs, climate pressures and rising future risk[11]. The company refers to strategic and regulatory alignment, resilience needs and future pressures[12]. The company also provide historical expenditure and workload data for storage points from 2015-25, estimated 2025-26 expenditure, priority defect definitions, inspection findings, the Ampthill Reservoir 1 case study, asset condition evidence from a sample of 50 assets, and further explanation of the ASRAP methodology. [13] The company state that historic investment has been stable in broad terms, but increasingly reactive; funding focused on Priority 1 defects; and; lower-priority defects accumulating over time. [14] The company says that this approach maintained short-term bacteriological performance, while allowing longer-term asset health risk to grow. The company provides a condition grade sample for 25 assets, evidence of 36 coliform failures in 2020-23, and a clearer explanation of how ASRAP links storage point components, deterioration, ingress risk and coliform failures.		

[11] Anglian Water, 'PR24 Cost Change Proposal Storage Points', May 2026, p.11
[12] Anglian Water, 'PR24 Cost Change Proposal Storage Points', May 2026, p.12
[13] Anglian Water, 'OFW-ANH-CCP-008 – response', June 2026
[14] Anglian Water, 'OFW-ANH-CCP-008- response', June 2026

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	The company provides a storage point cost breakdown for the requested funds[15] and detail of length of time since last inspection alongside detail of any assets taken out of service, for all assets covered by proposal.[16] **Our assessment** We accept the company's view of 'what base buys' (implicit allowance) across its asset proposals. The company has provided a clear view of 'what base buys', which is materially higher than an estimate based on sector averages. This provides reassurance that the requested investment is incremental to base allowances, and that customers are not paying twice for investment.[17] Our current analysis indicates that there is a sector-wide health issue for network storage assets. [18] A number of costs have been identified for exclusion which would precede any analysis of need. Examples of costs which are identified for exclusion include: • [redacted] - Roof /Wall Joint repairs and full membrane application (£0.565 million). Isolated from supply for 42 months		

[15] Anglian Water, 'Storage Point Cost Breakdown', May 2026
[16] Anglian Water, 'OFW-ANH-CCP-010 - Network Storage assets table', June 2026
[17] Our assessment and further detail can be found in the 'Cost Change Draft Determinations 2026 – Asset health cross cutting issues appendix'
[18] Further detail can be found in the 'Cost Change Draft Determinations 2026 – Asset health cross cutting issues appendix'

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)

	• [redacted] – Replacement (£4.074 million). Isolated from supply for 55 months
	• [redacted] Replacement (£8.209 million). Isolated from supply for 63 months
	  o Inspection costs – Sum to be defined
	  o Access improvements – Sum to be defined
	  o Security elements such as alarms (funded in base SEMD) – Sum to be defined
	  o Water treatment assets such as dosing rigs which are not priority assets and appear to be related to a wider water treatment solution – Sum to be defined
	
	Further detail of the scope boundaries applied to our asset health assessments is set out in an accompanying appendix.[19]
	
	Clear justification would be required from the company as to why costs such as those listed above should be included. An example, of a cost not well defined, that the company could explain further, is "drawdown and inundation testing" (which is listed as an inspection cost). Whilst we would not accept Inspection costs, per se, we may consider drawdown and inundation testing, if it could be linked to enabling works for an in scope element of work. It is however unclear how that distinction, and others like it, might easily be achieved through the data provided.		

[19] Cost Change Draft Determinations 2026 – Asset health cross cutting issues appendix

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	After excluding the out of scope elements[20], we then assessed the remainder to consider whether the proposed investment meets the 'Need for step change in investment' criteria. The company does not provide sufficient and convincing evidence to demonstrate that the proposed investment meets the 'Need for step change in investment criteria'. £91.471 million of the requested investment for the 2025-2030 period, relates to largely undefined sites for refurbishment (£66.7 million) and specified sites for membrane replacement where the supporting detail remains limited (£24.8 million)[21]. For the refurbishment element, the company explains that the precise scope is not known until assets are inspected[22], therefore, the assessment relies on expected intervention bands rather than site-specific optioneering for all future refurbishment activity. For the membrane replacement element, sites are specified, however the evidence does not provide sufficient detail from inspections or surveys to confirm the final scope[23], option selection and customer benefit. Clear information is needed on the number of assets being intervened on and linkages between the different costed programmes. For example, a clear breakdown should be given of the number of		

[20] Further information about the general rationale behind exclusions can be found in 'Cost Change Draft Determinations 2026 – Asset health cross cutting issues appendix', section 4
[21] Costs derived from Anglian Water, 'ANH-CC26-15 Storage Point Cost Breakdown', My 2026, Tab "Scheme table" for costs not attributed to specific sites
[22] Anglian Water, 'PR24 Cost Change Proposal Storage Points', May 2026, p.16
[23] Anglian Water, 'PR24 Cost Change Proposal Storage Points', May 2026, p.17

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	inspections and the assumptions of how many of these lead to different types of activity. There should be a clear record of assumptions and how it relates to the overall asset base and asset health improvement. The company presents information on its inspection and repair activities for the Drinking Water Inspectorate. This information does not clearly link to the asset health case, and in particular it does not set out what interventions are required to achieve a sustainable asset base. While a (maximum) ten year inspection frequency has long been baseline advice (see for eg UKWIR Good Practice Guidance[24]), the Inspectorate took enforcement action in early 2023 requiring Anglian Water to complete internal inspections on all treated water tanks not inspected within 10 years. That completion deadline was not met in 2025, and we are aware that further Notices and Final Enforcement Orders are in operation with actions outstanding for inspections and repairs (eg new Enforcement Order ANH-2025-00026 dated 8 July 2026). Aside from the lack of clarity in need case, that the focus on the inspections regime in the submission creates (ie lack of direct linkage to asset health), we are concerned that the scale of the programme is as a result of the delays of works not already completed, with base funding not allocated, and backended inspections and repairs appearing as a consequence. All of the listed		

[24] UKWIR, 'Treated Water Storage Assets: Good Practice For Operation & Management. Version 2. Report Ref No 19/RG/05/50', 2017, Table 15: Good Practice for Standardisation of Internal Inspection', p. 73

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	sites appear in the proposed investment request. This has further hampered our ability to assess the need case. The company present evidence of a higher number of 'Priority 1' defects over the most recent investment period (2020-25) relative to earlier investment periods.[25] These 'Priority 1' defects represent 'Interventions identified as required, before tanks are returned to service'. The step up in identified issues evidenced, may (in the absence of concerns regarding the impactions of delays in the inspections and repair programme), support a need case of a step up in investment, where Priority 1 is considered as a proxy for asset health. However, this is not sufficient to support a business case showing which interventions are required and when in line with the cost change process guidance; 'Where required, we will provide allowances for additional capital maintenance investments for the priority assets, such as refurbishment or replacement of assets, to improve their condition and long-term resilience. This investment must be above and beyond what companies are already funded to deliver with PR24 base expenditure allowances'.[26]		

[25] Anglian Water, 'PR24 Cost Change Proposal Storage Points', May 2026, Figure 3
[26] Ofwat, 'Cost change process guidance note', November 2025, p.19

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	From the information supplied, the size of the problem in asset health does not appear to have been fully quantified now or in the future using condition grades, or, up to date projections of coliform failures (used as a proxy for asset health / structural integrity of assets). The company states deterioration modelling / risk tool (ASRAP) updates are due to be completed ahead of PR29. [27] Clarity is lacking regarding the need for interventions to be delivered in the current investment planning period (2025-2030) to resolve asset health issues and which interventions are planned to be delivered through base funding. The company's Statement of Case to the Competitions and Markets Authority (CMA), outlined the anticipated impact of the reduction in allowance from the company's Business Plan, following Ofwat's PR24 Final Determination. The company's Statement of Case (including associated annexes) showed that under the proposed business plan that the company submitted to Ofwat in 2023, no assets would be in condition grades 4 and 5 (ie base investment would be sufficient to maintain all assets in at least adequate condition), but following Ofwat's PR24 Final Determination, the company estimated around 90 assets would fall into less than adequate condition grades. [28] In addition, projections of coliform failures (used as a proxy for asset health / structural integrity of assets), under different investment scenarios		

[27] Anglian Water, 'OFW-ANH-CCP-008- response', June 2026, Section 2
[28] Anglian Water, 'PR24 CMA Redetermination Statement of Case. Annex 018', March 2025, p.13

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	using Anglian Water's Asset System Resilience Appraisal (ASRAP) tool, were used to show that £8.9m per annum would be enough to keep failures stable until 2035, though the company noted that this may need to rise to £14m per annum beyond 2030 to maintain longer term asset health.[29] [30] The £8.9m over five years, equates to £44.5m and when adding the implicit allowance of £41.6m, this aligned to the overall claim to CMA (£85m stated allowance, which when Anglian Water's assessment of run rate of £25m is netted off, equates to £60m[31]). From those submissions, the additional funding request of £60 million to the CMA over the 2025-30 investment period could directly be linked to Asset Condition. In the submission under the cost change process (for £176m), however, no equivalent condition grade graph was shown and though the graphic of coliform failures with investment need was replicated from the Statement of Case submission, the underlying data / investment needs were not updated. While the accompanying narrative outlined that deterioration is progressing faster than previously identified, (and hence a higher investment was required) [32], no additional information was supplied to directly link asset health to the new investment requested.		

[29] Anglian Water, 'ANH38-Asset systems resilience appraisal', 2023, p.49
[30] Anglian Water, 'PR24 CMA Redetermination Statement of Case. Annex 013', March 2025, p.13
[31] Anglian Water, 'PR24 CMA Redetermination Statement of Case ', March 2025, p.94
[32] Anglian Water, 'PR24 Cost Change Proposal Storage Points', May 2026, p. 11

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<tr><th rowspan="2">Assessment criteria</th><th rowspan="2">Assessment</th><th colspan="2">Decision</th></tr>
<tr><th>Criteria</th><th>Adjustment (applied and/ or conditional)</th></tr>
<tr><td></td><td>In summary, from the information provided, it is not possible to confirm which items are out of scope and it is not possible to disaggregate what constitutes the company's inspect and repair programme, and what relates to any expenditure need case for a step up in investment to address asset health issues now and as a longer term resilience case. While the company observed a need to replace storage assets in submissions to the CMA, much of the investment case in the business case submitted under this cost change process, focuses on the inspection and repair programme. To achieve a pass, the company would need to provide all of the following in order to show sufficient and convincing evidence of a need for a step change in investment:
An outline of plans for base expenditure; given that the investment proposal includes funds to do an unspecified proportion of low/medium complexity asset intervention programmes. This needs to be more explicit.
A sufficient and convincing explanation of what has driven the increase from the £60 million presented to the CMA to £176m in the Asset Health investment proposal inclusive of any drivers for change in scope.
Further detail at site specific level;
Presentation to Ofwat and the Drinking Water Inspectorate on the need case and potential overlaps with notice actions;</td><td></td><td></td></tr>
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Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	◦ further site specific detail explaining why certain interventions are included when they appear to be out of scope. • Clear information on the number of assets that need intervention and linkages between different costed programmes. • Removal of out of scope items or clear justification for inclusion, by exception.		
Best option for customers	**Decision summary – Pass** We exclude all possible out of scope elements, and restrict this portion of the assessment to named schemes excluding membrane replacements, On this basis, the company provide sufficient and convincing evidence to demonstrate that the remainder of the proposed investment meets the 'Best option for customers' criteria. **Company evidence** The company sets out a broad list of intervention types and explains some constraints used to narrow options.[33] The company include comparison tables and selected examples[34] and discuss the proposed programme and intended benefits at package level.[35] The company also provides customer engagement evidence.[36] In its response to a query[37], the company provides additional evidence on optioneering and decision-making. It explains that the company developed a long list of potential investments using storage point experts and reservoir and tower	Pass	0%

[33] Anglian Water, 'PR24 Cost Change Proposal Storage Points', May 2026, p.14
[34] Anglian Water, 'PR24 Cost Change Proposal Storage Points', May 2026, pp.14-16
[35] Anglian Water, 'PR24 Cost Change Proposal Storage Points', May 2026, pp.16-17
[36] Anglian Water, 'PR24 Cost Change Proposal Storage Points', May 2026, p.18
[37] Anglian Water, 'OFW-ANH-CCP-008- response', June 2026

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	engineers. It then constrained the long list using urgency, condition grade, and recurrence of risk events. For named schemes, the company sets out baseline risk assessment, customer and environmental service impacts, monetised impacts through the value framework, and likelihood or frequency based on historic failure data, modelled failures, asset condition, age and performance.[38] It also provides whole-life cost and benefit appraisal information and examples for named schemes, including selected and discounted options. **Our assessment** We have removed all possible out of scope elements, and focus the assessment on the remainder of the proposal that relates to named schemes excluding membrane replacements, On that basis, the company provides sufficient and convincing evidence to demonstrate that it has considered a wide range of options for the named schemes. The company shows how capex, opex, future capex repeats, residual service impacts, environmental impacts, carbon and customer preferences are considered in its value framework. It also provides value metrics, including value index and equivalent annualised value, for the named investments. In a query response[39], the company explains that safe, clean water is customers' highest priority, that customers support proactive replacement, and that willingness to pay is used in the value framework.		

[38] Anglian Water, 'PR24 Cost Change Proposal Storage Points', May 2026, pp.14-17, Anglian Water, 'OFW-ANH-CCP-009- response', June 2026, pp.4-8
[39] Anglian Water, 'OFW-ANH-CCP-009- response', June 2026, pp.4-8

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<tr><th>Criteria</th><th>Adjustment (applied and/ or conditional)</th></tr>
<tr><td>Robust and efficient costs</td><td>Decision summary – Conditional Pass with some concerns. The company provides sufficient and convincing evidence to demonstrate that the proposed costs are based on a robust costing methodology. However, the company does not provide sufficient and convincing evidence to demonstrate cost efficiency across the full programme.

Company evidence
The company applies a costing methodology informed by historical outturn delivery data, using cost models calibrated against previous interventions and supplemented by engineering scope, asset condition information and inspection data[40]. Costs are developed using a combination of historical delivery experience, cost models and framework partner rates. The submission includes direct costs, indirect costs, optimism bias and on-costs.

The company includes extensive internal benchmarking against historic company delivery data and external benchmarking against WRc TR61 comparator data[41]. The company states that 42% of storage point assets have been externally benchmarked[42], primarily covering storage tanks, ancillary security works and associated water main connections. The submission also includes cost breakdowns by intervention category and provides explanations for differences between company costs and</td><td>Conditional pass – some concerns</td><td>10%</td></tr>
</table>

[40] Anglian Water, 'PR24 Cost Change Proposal, Asset Health: Storage Points', May 2026, Section 4.1, p.20
[41] Anglian Water, 'PR24 Cost Change Proposal Storage Points', May 2026, Section 1, Table 2, P.4
[42] Anglian Water, 'PR24 Cost Change Proposal Storage Points', May 2026, 4.2.3, p. 23

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	benchmark values.[43] The company has provided additional information to demonstrate how cost efficiency has been validated[44], and justify variances against external comparators.[45] **Our assessment** The company provides sufficient and convincing evidence to demonstrate that the costing methodology is robust. The use of historical delivery data, intervention-level cost models and defined cost build-ups demonstrates that cost estimates are informed by previous delivery experience and linked to engineering scope. This is consistent with Ofwat's expectation that cost estimates should be informed by historical delivery of comparable interventions. The company also provide some evidence that costs are efficient through a combination of internal and external benchmarking. Internal benchmarking indicates that costs are broadly aligned, with some intervention types marginally above the benchmark average and some marginally below, with historic delivery ranges. External benchmarking has been undertaken for a proportion of the programme using WRc TR61 comparator data, however this has not been applied to the full programme cost and covers only 42% of storage point assets. The results of the benchmarking showed cost estimates are significantly above comparator values. The company does set out justification for these stating differences to changes in delivery practices, including increased use of ground penetrating radar, vacuum excavation, proximity		

[43] Anglian Water, 'PR24 Cost Change Proposal Storage Points', May 2026, Section 4.3, Table 6 'Cost breakdowns'
[44] Anglian Water, 'OFW-ANH-CCP-007 - response', June 2026, Question 1
[45] Anglian Water, 'OFW-ANH-CCP-007 – response', June 2026, Question 2

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	detection systems, enhanced temporary works, increased site supervision and greater asset complexity[46]. While these explanations are reasonable in principle, the company does not quantify the impact of these factors or demonstrate that they fully explain the observed benchmark variances. The company also relies on TR61 as its sole external benchmark source. The company notes that TR61 does not provide like-for-like comparisons for a significant proportion of the programme. However, no alternative external benchmarking exercise or independent comparator assessment has been undertaken to validate the company's position. We note that the company has provided additional information to support how cost efficiency is demonstrated in the absence of external benchmarking across the full programme cost[47], however the variances in cost between the company's final cost estimates and the external comparator are significant. As a result, there remains uncertainty regarding the efficiency of costs for assets and cost categories not adequately represented within the TR61 dataset. Taken together, the company demonstrates that costs have been developed using a robust methodology but does not provide sufficient and convincing evidence to demonstrate efficiency across the full programme. To achieve a pass at final determination, the company must provide sufficient and convincing evidence to:		

[46] Anglian Water, 'OFW-ANH-CCP-007 - response', June 2026, Question 1
[47] Anglian Water, 'OFW-ANH-CCP-007 – response', June 2026, Question 1

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)

	• Quantify the impact of the changes in delivery practices and asset complexity cited as the reason for the variances against benchmark values.
	• Explain the oncost multipliers used which currently vary between c.15% and c.50%.
	• demonstrate the efficiency of the costs which have not been subject to external benchmarking. This can be demonstrated using:
	    o internal benchmarking against historic delivery of similar interventions;
	    o Independent third-party assurance confirming the robustness and efficiency of cost estimates; and
	    o evidence of competitive tendering demonstrating that costs reflect market-tested rates.
	If sufficient and convincing evidence is not provided we may apply a 10% cost challenge at final determination to the requested cost.		

Customer protection	**Decision summary – Adequate**. The company provides sufficient and convincing evidence to demonstrate that customers will be protected if the company under-delivers against the investment. **Company evidence** The company proposes price control deliverables (PCDs) that cover both the investment that will be delivered by existing PR24 base expenditure allowances,[48] and the investment delivered through the requested	**Adequate**	

[48] Anglian Water, 'PR24 Cost Change Proposal Storage Points', May 2026, pp.26-27

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	additional allowance. The company proposes three components to the PCD, covering the PR24 base modelled allowance, the Lower expenditure programme (LEP) and the Higher expenditure programme (HEP). Separate unit rates for different components are provided, aligned to the cost of scheme delivery. All proposed PCDs are end-of-period adjustments, with no time incentive proposed for early delivery. **Our assessment** The company's proposed non-delivery PCDs are in line with our expectations set out in the asset health guidance document and aligns to the approach set out in the PR24 Final Determination. If the company under delivers, the funding will be returned to customers. To enable us to protect customers and ensure companies are appropriately funded for the proposed investment for specific assets and sites, we propose to apply a PCD on the requested additional allowance which is tied to named schemes. Further detail on this PCD can be found in the Cost Change Draft Determinations 2026 – Price control deliverables appendix.		
Investment delivery plan	**Decision summary – Some gaps** The company provides some evidence that the programme has started and identifies relevant delivery risks and mitigations, but there are gaps in the evidence needed to demonstrate delivery confidence for the enlarged programme. **Company evidence** The company states that the storage points programme is deliverable and identifies delivery risks including outage constraints, inspection-led	**Some gaps**	

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	uncertainty, weather and supply-chain capacity. It describes mitigations including close engagement with existing suppliers, engagement with the wider supply chain, use of multiple contractors on site, weekly operational review of supply risks, dynamic programme flexing, and consideration of alternative approaches such as temporary storage or removal of unnecessary assets[49]. The company also states that it spent £40 million in 2025-26[50], with a query response reporting estimated storage point spend of £38.6 million[51]. In a query response[52], the company explains that timing is driven by Drinking Water Inspectorate engagement, the forward-looking risk trajectory, known interventions at named complex sites, and inspection-triggered refurbishment activity that may need to be addressed quickly once defects are identified. The company also explains that the delivery profile is subject to the outcome of the cost change proposal, with proposed cost change expenditure profiled across 2027-28 to 2029-30. **Our assessment** The company provides useful evidence on timing, mobilisation and the main delivery constraints. We acknowledge the commentary that deferral to PR29 / investment period 2030-2035 would increase the number and proportion of Priority 1 sites, and increase risks to continuity and resilience of supply.[53]		

[49] Anglian Water, 'PR24 Cost Change Proposal Storage Points', May 2026, p.28
[50] Anglian Water, 'PR24 Cost Change Proposal Storage Points', May 2026, p.28
[51] Anglian Water, 'OFW-ANH-CCP-08 response', June 2026, p.6, question 1
[52] Anglian Water, 'OFW-ANH-CCP-09 response', June 2026, p.9, question 3
[53] Anglian Water, 'PR24 Cost Change Proposal Storage Points', May 2026, p.11

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	We are aware that the company has outstanding compliance issues and is in receipt of enforcement orders from the Drinking Water Inspectorate. We expect swift action, working with DWI, to achieve compliance. The reported £38.6 million of 2025-26 expenditure provides some evidence of mobilisation and is consistent with the company's statement that delivery has already accelerated. The company also provides a reasonable explanation for why some elements of the programme cannot be fully fixed in advance, because inspection-led refurbishment scope depends on the defects identified when assets are drained and inspected.[54] However, gaps remain in the evidence required to demonstrate deliverability of the enlarged programme. The company does not provide a dated delivery programme, scheme-level milestones, risk register, approvals tracker, critical path, planned outage windows, dependency map, named owners, planned-versus-actual outputs, or quantified evidence of contractor capacity and supply-chain readiness. It also does not clearly show how the proposed delivery profile links to individual schemes, PCD outputs, inspection sequencing, outage availability or the specific risks associated with the higher expenditure programme. As a result, the evidence supports the timing rationale and shows some mobilisation, but there are gaps in the evidence required to demonstrate that the full enlarged programme can be delivered within the 2025-2030 investment period.		

[54] Anglian Water, 'PR24 Cost Change Proposal Storage Points', May 2026, p.11

3.1.2 Gravity sewers inspections

Assessment criteria	Assessment	Decision
Approach and Robust and Efficient Costs	**Decision summary** The company has provided sufficient and convincing evidence that its sampling approach is appropriate. We undertook a unit cost deep dive, because the proposed unit costs are 136% higher than the sector median unit costs. We allow Anglian Water the next-highest permitted unit rates, which are Southern Water's unit rate of £16.61 per metre. This represents a cost challenge of 45%. In order to achieve a pass at Final Determination, the company must provide further evidence to justify why their cost per metre (£29.99 per metre) is so much higher than the sector median of £12.70 per metre.	**Conditional Pass –** **Some concerns**
Customer Protection	**Decision – Adequate**. The company provides sufficient and convincing evidence that customers will be protected if the company under-delivers against the investment. **Company Evidence** - The company proposes price control deliverables (PCDs) for the investment funded by the requested additional allowance. The additional allowances will fund a programme of random and representative inspections covering 0.5% of the company's gravity sewer network. This PCD consists of a single element to ensure delivery of gravity sewer inspections. The company provides a unique non-delivery PCD rate for sewer inspections. **Our assessment** - The company's proposed non-delivery PCD is in line with our expectations set out in the asset health guidance document and aligns to the approach set out in the PR24 Final Determination. If the company under delivers, the funding will be returned to customers.	**Adequate**

3.1.3 Gravity sewers rehabilitation

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
Summary of request	Anglian Water (ANH) is requesting an **additional £20.2 million of capital maintenance funding** across the 2025-30 period (AMP8) to rehabilitate 8.78 kilometres of condition grade 5 gravity sewers in high-risk catchments during the 2025-30 period. The proposed investment, including approximately 6.3 kilometres of relining and 2.45 kilometres of open-cut replacement, will target the highest likelihood and consequence of failure assets.		
Need for a step change in investment	**Decision: Pass** **Company evidence** - Anglian Water sets out its case for increased investment based on long-term sewer network deterioration and funding constraints. The company's long-term deterioration model shows that with current renewal rates of approximately 0.04% per annum, there is increasing risks of sewer collapse, flooding and pollution incidents, indicating that renewal rates are materially below sustainable levels. The company also indicates that regional risk factors such as groundwater ingress, shrinkable soils, and corrosion leads to increasing deterioration. It uses a risk-based prioritisation approach, focusing on Grade 5 gravity sewers in high-risk catchments to demonstrate that base allowances are insufficient, leading to prioritisation of reactive maintenance expenditure and limiting proactive renewal. **Our assessment**- We accept the company's view of 'what base buys' (implicit allowance) across its asset proposals. The company has provided a clear view of 'what base buys', which is materially higher than our estimate based on sector averages.	**Pass**	**0%**

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	This provides reassurance that the requested investment is incremental to base allowances, and that customers are not paying twice for investment.[55] The company provides some evidence of a strategic need for increased investment, supported by deterioration modelling and evidence of low historic renewal rates. The forward-looking modelling framework and identification of increasing risk drivers are consistent with Ofwat expectations. However, the proposal relies substantially on historic PR24 and earlier submissions prior to 2023, without sufficient updated evidence demonstrating how asset health risk has evolved in recent years. The company identifies a population of condition grade 5 assets for rehabilitation, but it does not provide the details, such as location of the catchments or survey outputs, showing the specific assets included in the proposal. While the existence of a broader strategic need is credible, the company does not provide sufficiently granular and current evidence to fully demonstrate that the specific proposed scope is required at the level requested. The company provides sufficient and convincing evidence that there is a need for a step change in investment. However, for any future cost change process submissions, we would expect the company to present more quantitative outputs from its analyses to demonstrate its cost change investment proposal is supported by data-driven evidence. We would also expect the company to provide more clarity on the schemes that will be carried out under this proposal.		

[55] Our assessment and further detail can be found in the 'Cost Change Draft Determinations 2026 – Asset health cross cutting issues appendix'

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
Best option for customers	**Decision: Pass** there are shortcomings in the level of evidence provided, particularly in terms of a lack of detailed evidence relating to the shortlisting process and the cost benefit analysis. We have assessed the evidence holistically considering the scale of the proposed investment; that there are a limited number of options for rehabilitating sewers; that the preferred solution is reasonable in engineering terms; the costs are deemed efficient, and have satisfied ourselves that there is sufficient and convincing evidence that the proposed option is likely to be the best option for customers. **Company evidence** - The company explains the methodology of developing a long list of intervention options, such as relining, replacement, localised repair and non-structural interventions. It also describes the screening criteria such as technical feasibility, cost, risk and customer/environmental impact and the use of a risk-based targeting approach (high consequence catchments) as the preferred strategy to establish a 'rehabilitate-first' approach with a 70:30 relining to replacement split. The company provides qualitative assessment of benefits, including reduced flooding, pollution and improved resilience. The company states that its stakeholder engagement demonstrates that the preference for proactive investment and pollution reduction is supported by customers. But it does not provide evidence to support this claim. **Our assessment** - The company provides some evidence that it has considered a range of interventions and developed a structured approach to selecting solutions. The use of a risk-based prioritisation framework and a rehabilitation-first strategy is broadly consistent with good practice.	**Pass**	**0%**

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	However, the company mainly focuses on describing the processes instead of providing evidence of the unconstrained longlist or demonstrating how options were compared and shortlisted by applying quantified cost-benefit analysis. Therefore, there is some uncertainty as to whether the preferred option delivers the best value for customers. Additionally, the preferred option is largely defined by targeting high-risk catchments, and condition grade 5 gravity sewers, but the company does not provide structural evidence for these gravity sewers. Following a query, the company provided named schemes and locations, increasing confidence in option selection and prioritisation. While we consider there to be shortfalls in the evidence provided as detailed above, we note that gravity sewers rehabilitation has a limited range of interventions and that the scale and scope of the proposed solutions appear reasonable and pragmatic in engineering terms, as a result we pass the investment as 'best option for customers.' In response to the draft determination, and for future cost change process submissions, we would expect the company to provide quantified cost benefit analysis and detailed descriptions of other options that were considered and reasons why they were not taken forward.		

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
Robust and efficient costs	**Decision Summary – Pass** The submission provides sufficient and convincing evidence that the proposed costs are robust and efficient. The submission is supported by extensive historical delivery data, scheme-level cost build-ups, independent assurance and benchmarking evidence demonstrating that costs are consistent with efficient delivery assumptions. **Company evidence** - The company applies a costing methodology combining bottom-up scheme-level estimates with top-down econometric modelling informed by historical 2020-25 outturn data. Cost estimates are developed using cost curves, regression modelling and activity assumptions linked to key cost drivers, including sewer length, depth, diameter and intervention type. The submission includes detailed scheme-level cost build-ups and incorporates direct costs, indirect costs, on-costs and overheads. Independent assurance of the methodology has been undertaken by a third party. The submission includes internal benchmarking using historic outturn costs and external benchmarking using Water Research Council (WRc) TR61 comparator data. Benchmarking results are presented for relining interventions, while the submission states that suitable like-for-like external comparators were not available for open-cut interventions. The submission explains that open-cut costs have instead been informed by internal benchmarking, market testing and analogous approaches consistent with those used in previous submissions. **Our assessment** - The submission provides sufficient and convincing evidence that the costing methodology is robust. Costs are informed by extensive historic delivery	**Pass**	**0%**

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	data and are developed using models linked to the principal engineering and delivery cost drivers. The detailed scheme-level cost build-ups demonstrate a clear relationship between scope and cost, consistent with Ofwat's expectation that costs should be informed by historical delivery experience and supported by transparent cost estimation methodologies. The submission also provides sufficient and convincing evidence that costs are efficient. External benchmarking indicates that relining costs are below benchmark ranges, demonstrating that these interventions are consistent with efficient delivery assumptions. For open-cut interventions, the submission explains that suitable external benchmarks were not available and therefore relies on historic outturn data, market-tested rates and internal benchmarking. While this limits external benchmarking coverage, the submission provides a reasonable explanation as to why direct comparison against TR61 data is not appropriate for these activities. The proposed unit cost is relatively high compared with some other submissions. The submission proposes rehabilitating 8.78 kilometres for £20.32 million, a unit rate of £2,304 per metre. This is 282% higher than the median of £604 per metre, and higher than the median for all three intervention types (relining, trenchless replacement, and replacement by excavation).[56] However, the submission demonstrates that replacement activities are generally delivered in short, targeted sections, limiting opportunities for economies of scale and		

[56] Our assessment and further detail can be found in the 'Cost Change Draft Determinations 2026 – Asset health cross cutting issues appendix'

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	resulting in higher unit costs per metre than would be expected for larger replacement programmes. The submission also demonstrates that costs have been informed by historic delivery evidence and market testing, providing assurance that the higher unit cost is attributable to the nature of the interventions rather than inefficiency. The combination of historical delivery data, market testing, independent assurance and favourable benchmarking results for relining activities provides sufficient and convincing evidence that costs are broadly efficient. The submission therefore provides sufficient and convincing evidence that costs are robust and efficient, and no cost challenge is applied at draft determination.		
Customer protection	**Decision – Adequate.** The company provides a reasonable framework to protect customers in the event of under-delivery of the proposed investment. **Company evidence**-The company proposes Price Control Deliverables (PCDs) covering both the investment to be delivered through existing PR24 base expenditure allowances and the investment delivered through the requested additional allowance. The investment delivered through both base and additional allowances is defined as percentage of allowance (base wholesale wastewater allowance and additional allowance respectively). The company proposes two interventions: two renewal interventions, one delivered through the base allowance and one through the additional allowance. It provides a non-delivery PCD unit rate for additional allowance activities.	**Adequate**	**N/A**

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	We intend to impose an expenditure-based PCD for the base allowance to provide flexibility and ensure consistency across companies. **Our Assessment** - The company's proposed base PCD is in line with our expectations set out in the Asset Health assessment guidance. However, we intend to impose an expenditure-based PCD for base allowances to provide flexibility and ensure consistency across all companies. The company's proposed non-delivery PCD tied to the requested additional investment is also reasonable and provides appropriate protection for customers against under-delivery. We consider that for asset health submissions, a PCD linked to specified named schemes is generally appropriate. For gravity sewer rehabilitation, because there are not necessarily distinct schemes at this stage, we instead propose to link the PCD to intervention type, pipe diameter and location classification. The proposed structure is set out in the Cost Change Draft Determinations 2026 – Price control deliverables appendix.		
Investment delivery plan	**Decision summary – adequate.** The company provides sufficient and convincing evidence to demonstrate the deliverability of the proposed gravity sewer rehabilitation.	**Adequate**	**N/A**

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	Company evidence -The company states that it has assessed its capacity to deliver the proposed investments for this cost change process. It claims "we have good evidence that our supply chain, governance and risk management are robust and capable of delivery our full programme."[57] For gravity sewer investment, the company considers the overall delivery risk to be "low"[58] despite recognising that the additional investment represents a step up in activity and delivery risks related to both contractor capacity and network access constraints. The company sets out the mitigation measures for these risks and explains how they will be managed through its Tier 2 and Tier 3 supply chain[59]. Additionally, it provides a phased delivery programme for the 2025-30 period supported by output measures and PCDs. **Our assessment** - The company provides a detailed account of deliverability in its cost change submission main document and the delivery plan for the proposed gravity sewer investment. It also provides a high level description of its delivery risk mitigation approach. We note that there are some gaps in terms of company evidence to support its claims on deliverability of its proposed mitigation approach for the identified risks, but we do not have concerns for the proposed delivery plan for gravity sewer investment.		

[57] Anglian Water, '2026 Cost Change proposal', May 2026, p. 21, section 6.2
[58] Anglian Water, '2026 Cost Change proposal – Gravity Sewers', May 2026, p. 24, section 5.1
[59] Anglian Water, '2026 Cost Change proposal – Gravity Sewers', May 2026, p. 24, section 5.1.1

A3.2 Growth

3.2.1 Growth at sewage treatment works

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
Summary of request	Anglian Water is requesting an additional £124.2 million of in-period funding in the 2025-30 period to deliver five growth-related schemes at Peterborough/Flag Fen, Foxton, Great Dunmow, Langham and Washingborough Water Recycling Centre (WRC), to provide additional wastewater treatment capacity beyond PR24 assumptions.[60]	**NA**	**NA**
Need for a step change in investment	**Decision summary:** **Conditional Pass.** The company provides sufficient and convincing evidence of the need for additional wastewater treatment capacity beyond PR24 assumptions for the five schemes. However, for Peterborough, the company should provide further evidence that the proposed population equivalent (PE) increase has been agreed with the Environment Agency (EA) to confirm the need for a step change in investment. **Partial Pass.** We do not accept all elements of the company's request. For Langham and Washingborough, part of the requested costs relates to regaining compliance with Dry Weather Flow (DWF) permits, and we apply an adjustment to avoid double funding through growth allowances. For Peterborough, we exclude	**Partial pass** (4 schemes) **Conditional pass** (Peterborough)	**0%** **27.4%**

[60] Anglian Water, '2026 Cost Change proposal – Growth, May 2026, pp. 4, 6-7, 24, 25

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	part of the request where costs overlap with funding already provided at PR24 final determination. **Company evidence:** The company states that the proposed schemes are needed because existing capacity is insufficient to accommodate higher growth expectations across the five sites.[61] It states that the schemes would provide around 60,000 PE of additional process capacity overall, or around 47,000 PE net of the capacity already allowed for Peterborough at PR24. Peterborough is the largest scheme and the only government priority site included in this submission. The company states that the existing PR24-funded scheme at Peterborough, which provided 13,560 PE of additional capacity, is no longer sufficient to meet updated growth expectations. It therefore proposes a larger scheme providing 45,077 PE, with the existing PR24 allowance excluded from the cost change request. It deducts £9 million from the scheme costs to reflect the PR24 Growth at Sewage Treatment Works (STW) modelled allowance. For the other four schemes, the company states that no PR24 enhancement allowance was provided and that additional capacity is required to address site-specific growth pressures. It states that without investment, there is a risk of constraining housing and economic development, increasing the risk of permit exceedances where development proceeds without supporting infrastructure, and placing greater pressure on future price control periods. The company states that the investment is not intended to regain compliance with existing permit conditions, address enforcement cases, or restore baseline		

[61] Anglian Water, '2026 Cost Change proposal – Growth, May 2026, pp. 3-4, 6-11, 17, 24-25

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	performance. It identifies Great Dunmow as the only site that has exceeded its DWF permit under the three-in-five-year rule. It provides evidence to distinguish the growth-related element of the scheme from the existing compliance issue, including its approach to I-MAX, the DWF baseline and local planning authority growth factors. It also states that the proposal aligns with its DWMP optioneering approach and that, subject to funding approval, all five schemes would begin construction in 2027-28 and complete by 2029-30. **Our assessment:** Anglian Water provides sufficient and convincing evidence that additional investment is needed to accommodate growth beyond PR24 assumptions across the five proposed WRC schemes. The company identifies the relevant sites, provides updated PE requirements, explains the differences from PR24 allowances, and sets out how the proposed schemes would increase treatment capacity to support growth. For Great Dunmow, the company sets out a methodology to demonstrate that the requested funding does not seek to address an existing DWF compliance issue. We therefore do not apply a further DWF adjustment for this site. For Langham and Washingborough, our assessment indicates that both sites have exceeded their DWF permits for three out of the past five years. We therefore apply **a partial pass, with a DWF adjustment of 7.84% for Langham and 6.33% for Washingborough**, to reflect the risk that part of the requested cost relates to restoring compliance rather than growth. For Washingborough, in the absence of a DWF permit change, the adjustment is based on the average exceedance relative to the permit, as a proxy for the capacity shortfall that should not be funded through Growth at STWs allowances.		

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	For Peterborough, the company acknowledges that funding was provided at PR24 and applies a £9 million adjustment based on the scheme-level allowance it received. However, its PR24 request was £29.78 million. We do not consider it appropriate to use the cost change process to revisit the difference between the company's PR24 request and the allowance set at final determination, as any challenge to that outcome could have been pursued through the Competition and Markets Authority (CMA) process. We have therefore assessed only the incremental costs above the £29.78 million originally requested at PR24, and we apply a **27.4% challenge** to the investment need. We acknowledge that Peterborough is one of the fastest growing cities in the UK and that there is a need to ensure wastewater treatment and network capacity keeps pace with new housing and business demand. However, there remains residual uncertainty about whether the full proposed PE increase at Peterborough is attributable to growth beyond PR24 assumptions. While the company provides links to local planning evidence, it does not clearly explain how this evidence has been used to quantify the proposed increase in PE capacity. We therefore apply a **conditional pass** to reflect that further evidence is needed to support the proposed PE increase for Peterborough. To achieve a pass at final determination, the company should provide sufficient and convincing evidence that the proposed PE increase for Peterborough has been agreed with the EA and is attributable to higher population growth beyond PR24 assumptions. If sufficient and convincing evidence is not provided, we may apply a further cost challenge at final determination to reflect the remaining uncertainty as to whether the full investment need is attributable to higher population growth.		

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
Best option for customers	**Decision summary:** **Pass.** We consider that the company's requested costs for Foxton, Great Dunmow, Langham and Washingborough are at or below the indicative PR24 Growth at STW modelled benchmark used for our cost change process assessment. We therefore consider that the company provides sufficient and convincing evidence that the selected options are the best option for customers. **Some concerns.** For Peterborough, while the company provides evidence that it considered a range of technical options, we have some concerns that it has not provided detailed comparative evidence, including whole-life cost-benefit analysis, to demonstrate that the preferred option represents the best option for customers. **Company evidence:**[62] The company states that its proposal aligns with its Drainage and Wastewater Management Plan (DWMP) optioneering approach and that it considered a range of unconstrained intervention options before selecting the preferred solutions. It states that the selected schemes are the most appropriate options to unlock growth at pace, taking account of site constraints, deliverability, whole-life value and the need to provide additional treatment capacity within the 2025-30 period. It also states that the options have been developed through its internal governance and value-based decision-making process, supported by supply chain engagement and assurance. For Foxton,	**Pass** (4 schemes) **Some concerns** (Peterborough)	**0%** **0%**

[62] Anglian Water, '2026 Cost Change proposal – Growth, May 2026, pp. 13-18, 29

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	Great Dunmow and Langham, the company states that the selected options reflect site-specific growth pressures, capacity increases and constraints. For Washingborough, it states that transferring flows to Canwick is the preferred long-term solution. For Peterborough, it states that the preferred option requires additional biological treatment assets to manage increased load under the existing permit. The company provides additional evidence for Peterborough, which identifies 13 technical solutions to increase treatment capacity, including conventional treatment upgrades, side-stream treatment, biofilm-based solutions and liquor treatment options.[63] It explains reasons for discounting several options, including process risk, intrusive works to existing activated sludge process (ASP) lanes, unproven design at the required scale, additional aeration requirements, increased operational complexity and non-compliance. **Our assessment:** For Foxton, Great Dunmow, Langham and Washingborough, the company's requested costs are at or below our indicative benchmark. Although the company provides limited comparative optioneering evidence, we consider that the PR24 Growth at STW modelled benchmark supports accepting the selected options for these schemes, and we do not apply a further adjustment. For Peterborough, the company's additional evidence supports the company's optioneering process. It shows that Anglian Water considered a range of technical solutions and discounted several options for identifiable technical, process and deliverability reasons. However, while this evidence provides a clearer technical rationale for the preferred solution, it does not fully		

[63] Anglian Water, 'OFW-ANH-CCP-005 Flag Fen Growth Options', June 2026, pp. 1-11

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	demonstrate the comparative costs, benefits and trade-offs of the options considered. In particular, the evidence does not include a detailed whole-life cost-benefit assessment across the options. We therefore consider that the company has provided some evidence that the preferred Peterborough option is appropriate but has not fully demonstrated that it represents the best option for customers. On this basis, we apply **some concerns** for Peterborough. However, because we have already applied an adjustment under the need for investment assessment, we do not apply a further adjustment under best option for customers at this stage. We note that any future submissions should include sufficient and convincing evidence of the costs, benefits and trade-offs of the options considered, including whole-life cost-benefit analysis to support selection of the preferred option.		
Robust and efficient costs	**Decision summary:** **Pass.** We consider that the proposed costs for Foxton, Great Dunmow, Langham and Washingborough are robust and efficient, as these are at or below the indicative PR24 Growth at STW modelled benchmark. **Some concerns.** We have some concerns for Peterborough, as the scheme is a significant cost outlier compared with the modelled benchmark allowance, and the requested costs reflect a material increase from the PR24-funded scope. **Company evidence:** The company states that it has used a layered benchmarking approach to demonstrate cost efficiency, drawing on historic outturn costs, component-level benchmarking, Ofwat's PR24 econometric	**Pass** (4 schemes) **Some concerns** (Peterborough)	**0%** **0%**

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	models, and internal and external assurance.[64] It provides scheme-level cost breakdowns for all five proposed WRC schemes and states that, where PR24 benchmarks are applicable, the proposed costs are efficient. For Foxton, Great Dunmow and Langham, the company assesses costs against the PR24 Growth at STW cost model, which indicates that the schemes are efficient. For Washingborough, it uses a transfer-based benchmark, reflecting that the proposed solution involves decommissioning the existing WRC and transferring flows to Canwick rather than expanding treatment capacity on site. For Peterborough, the company states that the PR24 growth model does not appropriately capture the costs of the proposed scheme because the key driver is additional biological treatment capacity under an unchanged permit, rather than a change in DWF or permit tightening. The company states that the scheme requires significant new treatment assets, including additional primary settlement, activated sludge and final settlement capacity. It also identifies site-specific cost drivers, including archaeology, flood risk, groundwater conditions, ground instability and constrained construction conditions. **Our assessment:** For Foxton, Great Dunmow, Langham and Washingborough, we consider that the company has provided sufficient and convincing evidence that the proposed costs are efficient, as the requested costs are either at or below the relevant modelled benchmark, or assessed against a more appropriate transfer-based benchmark in the case of Washingborough.		

[64] Anglian Water, '2026 Cost Change proposal – Growth, May 2026, pp. 18, 21–25, 29

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	Peterborough is the main cost efficiency outlier, as the company's requested cost is significantly above the modelled benchmark allowance, and reflects a material increase from the PR24-funded scope. The company provides evidence to explain why the PR24 Growth at STW model may not fully capture the costs of the scheme, including the need for additional biological treatment capacity under an unchanged permit and site-specific delivery constraints. However, the evidence does not fully justify the scale of the proposed assets and associated costs. On this basis, we have **some concerns** for Peterborough. As we have already applied an adjustment under the need for investment assessment, we do not apply a further adjustment under robust and efficient costs at this stage.		
Customer protection	**Decision summary - Adequate.** The company provides sufficient and convincing evidence that customers would be protected through its price control deliverable (PCD) proposal for growth at sewage treatment works. It proposes to apply the existing growth at STWs PR24 PCD design to the revised Peterborough scheme and the four additional WRC growth schemes submitted through the cost change process. **Company evidence:**[65] The company states that there is already an established PCD for STW growth, PCDWW27, and that it has updated this PCD to reflect its WRC growth cost change proposals. It states that this includes schemes already in the PCD, where capacity, permit data and costs have been updated, and new schemes have been added as additional PCD lines with the relevant capacity, permit-related data and allowance information. The company also states that the	**Adequate** (5 schemes)	**N/A**

[65] Anglian Water, '2026 Cost Change proposal – Growth, May 2026, pp. 5, 26

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	wider conditions associated with the PCD remain unchanged, including the approach to under-delivery incentives and the potential for time incentives. Its submission states that the company expects the non-delivery expenditure threshold of 60% to apply to the additional growth schemes, such that the non-delivery clawback would not apply until 2035 if it has spent at least 60% of the allowed expenditure. **Our assessment:** We consider that the company has provided sufficient and convincing evidence that the proposed customer protection arrangements are appropriate. The company has used the existing Growth at STWs PCD framework, rather than proposing a new bespoke mechanism, and has explained how the revised and additional schemes would be incorporated within that framework. This provides a clear route for monitoring delivery of the additional capacity and returning funding to customers in the event of under-delivery. We therefore apply **adequate** for customer protection. The proposed approach is consistent with the existing PR24 PCD structure and retains the wider customer protection conditions, including under-delivery incentives. Further detail on the proposed PCD can be found in Cost Change draft determinations 2026 - Price control deliverables appendix.		
Investment delivery plan	**Decision: Adequate.** The company provides sufficient and convincing evidence that the five growth at STWs schemes are deliverable within the 2025-30 period.	**Adequate** (5 schemes)	**NA**

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	Company evidence:[66] The company states that, subject to approval through the cost change process, all five schemes would begin construction in 2027-28 and complete by 2029-30, and that it has worked with supply chain partners to scope and design the necessary works and confirm deliverability within the 2025-30 period. It states that deliverability risks for the additional growth at STW proposals are low. It says the proposal adds only four more sites to its existing 2025-30 WRC growth programme, while increasing PE capacity by around 20%, and that the proposed works are based on solution types it regularly delivers for growth and quality enhancement drivers. The company identifies some site-specific delivery risks and interfaces, including local sewer network improvements at Langham, sludge treatment centre investment at Peterborough, third-party interfaces and the need to minimise local customer impacts through traffic management. For Peterborough, it notes specific constraints including Sites of Special Scientific Interest (SSSI) designations, likely planning permission and a full Environmental Impact Assessment. The company states that it has engaged with its supply chain and expects most of the work to be delivered through the @one alliance. It also states that it has tested supply chain appetite for the additional scope and that solutions are currently being designed by its in-house team. For Foxton, it notes that delivery may require upgrades to the power supply and that it is engaging with prison authorities on realistic expectations. **Our assessment:** We consider that the company has provided sufficient and convincing evidence that the proposed schemes are deliverable within the 2025-		

[66] Anglian Water, '2026 Cost Change proposal – Growth, May 2026, pp. 4, 17, 27

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	30 period. The company has set out a clear delivery timetable, identified relevant delivery risks and explained the mitigation activities it is undertaking, including supply chain engagement, stakeholder engagement and scheme-level planning. We recognise that Peterborough is likely to be the most challenging scheme to deliver, given the scale of investment and site-specific constraints, including environmental constraints and planning requirements. However, the company has identified these risks and explained how they are being actively managed. The company also notes the flexibility in Ofwat's approach where substantive delivery is achieved by the end of the 2025-30 period, which helps manage the risk of remaining completion activity extending into the 2030-35. We therefore assess the investment delivery plan as **adequate.**		

Ofwat (The Water Services Regulation Authority) is a non-ministerial government department. We regulate the water sector in England and Wales.

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