August 2026

Notification of the PR24 cost change process draft determination for South East Water

Ofwat

John Halsall
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Dear John

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), including proposed changes to Price Controls for the period from 1 April 2027 to 31 March 2030.

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

- Cost change draft determinations 2026 - Sector Overview
- Cost change draft determinations 2026 – Price control deliverables (PCD) appendix;
- Cost change draft determinations models for PFAS and Growth

In accordance with sub-paragraph 14ZA.1 of Condition B: Charges of South East Water Limited's appointment as a water undertaker, Ofwat now gives notice of its intention to determine the questions set out in sub-paragraph 14ZA.3 of Condition B in relation to the following Eligible Item(s):

- 2. Per- and poly fluoroalkyl substances (PFAS)

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

Appendix 2: the impact of our draft determination on South East Water's customers' bills from 1 April 2027 to 31 March 2030 and price controls.

Appendix 3: Our draft determination on how South East Water's expenditure allowances are funded

Appendix 4: Our detailed assessment of, and decision on, South East Water's submitted claims.

South East 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. South East 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 South East Water's 2026 cost change submission, we received two claims across the following cost areas:

- PFAS
- Growth

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 4 of this document.

Table 1: Breakdown of the difference between South East 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	33.1	15.2
Ofwat 'insufficient evidence of need' or 'out of scope of cost change process' assessment[1]	-20.7	0.0
Company total 'in scope' cost change claim[2]	12.4	15.2
Ofwat 'best option' challenge[3]	0.0	0.0
Ofwat efficiency challenge[4]	6.9	0.0
Ofwat draft determination cost change allowance	19.3	15.2

Our draft determinations include price control deliverables (PCDs) to hold South East Water to account for delivery. Our approach to PCDs is set out in the Cost Change Draft Determinations 2026 – Price control deliverables appendix which we publish alongside this document.

The impact of our draft determinations for revenue and regulatory capital value (RCV) adjustments by price control are set out in tables 2 and 3 below.

[1] Details of costs excluded are set out in Appendix 4.
[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. For South East Water, we have increased the efficient cost allowance for its water resources growth claim based on our unit cost benchmarking. See section A4.1 for further details.

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

	Water resources	Water network plus	Total
Total in-period revenue adjustment for 2027-28	0.000	0.245	0.245
Total in-period revenue adjustment for 2028-29	0.000	0.528	0.528
Total in-period revenue adjustment for 2029-30	0.000	0.741	0.741
Total end of period revenue adjustment at PR29	2.604	0.000	2.604

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

	Water resources	Water network plus	Total
Total end of period RCV adjustment at PR29	8.708	9.029	17.737

Table 4 sets out the impact of our draft determination on the company's last determined price controls[5].

Table 4: Draft determination changes to price controls for South East Water

Price control		2025-26	2026-27	2027-28	2028-29	2029-30
Water resources (K factors)	Last determined	92.59	-18.63	-6.87	7.47	7.23
	Revised	92.59	-18.63	-6.87	7.47	7.23
Water network plus (K factors)	Last determined	7.36	8.19	9.35	6.91	6.70
	Revised	7.36	8.19	9.46	6.82	6.70

[5] For South East Water, the last determined price controls are those redetermined by the Competition and Markets Authority.

Appendix 2: Impact on South East Water's customers' bills and price controls

The average bill increase for customers of South East Water, in absolute and relative terms, is set out in table 5. This is the average bill increase for all customer classes as a result of our cost change decisions. The bill increase for each customer class will be different.

Table 5: Average bill increase above the CMA redetermination due to cost change process[6]

Company	2027-28 £	2029-30 £
South East Water	0	1

[6] This is the average bill increase for all customer classes as a result of our cost change decisions when compared to the average bill as redetermined by the Competition and Markets Authority. The bill increase for each customer class will be different.

Appendix 3: Our decisions on how we fund South East Water's expenditure allowances

South East Water requested in-period funding for its cost change 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 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 South East Water we allow in-period funding for some 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 provide in-period revenue funding for £9.4 million allowed expenditure during the 2025-30 control period related to PFAS. This funding will allow South East Water to progress this work during the current price control period. We will make an adjustment to RCV at 31 March 2030 for allowed totex not recovered in-period.
- We do not provide in-period funding for £9.9 million of allowed expenditure for South East Water's growth claim. The company did not request in-period funding, and this is not available for growth related expenditure in the 2026 cost change process, although this may be possible for 2027.[7] 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.

[7] We recently published a licence modification consultation which would allow in-period funding for growth from 2027.

In our assessment we carefully considered the financial impact of the additional expenditure we allow and how well a company is progressing against delivering its existing investment programme. We set out our assessment of these below.

While the financeability assessment was not clear cut and there are issues with progress in delivering your existing investment programme we allow in-period funding for PFAS. This is because the expenditure relates to schemes required to fulfil statutory obligations related to PFAS.

The revenue adjustment provided for in-period funding is a relatively small compared to South East Water's total annual allowed revenue. However, we recognise this does require customers to pay more and expect companies to consider bill volatility. We therefore encourage South East Water to consider affordability for customers and to engage with customer groups on this.

We expect South East Water to set out its consideration of the impact of both the cost change and ODI payment processes in its response to the draft determination[8]. This should take account of our draft determinations and its view of this and any other factors or changes since they submitted their claims during the March to May window. This should take account of the latest view on progress on delivering existing investment programmes.

A 3.1 Delivery assessment

2025-30 delivery

We reviewed the company's May 2026 delivery plan update. On balance, given the significant uncertainties and risks around the company's mains renewals and resilience interconnectors programme, we consider that the company has not provided sufficient and convincing evidence to demonstrate 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.

In its May 2026 delivery plan update, the company showed the following positive indicators in relation to 2025-30 delivery progress:

- The company reported meeting all of its interim milestones in 2025-26.
- The company is forecasting to have 97% of its capital projects in construction or delivered by the end of 2027-28. We expect this higher proportion for South East

[8] see cost change guidance, IN 26/01 Submission of cost change applications.

Water given that the majority of its capital projects are resilience interconnectors which take time to deliver.

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

- The company underspent its water price control deliverable (PCD) allowance in 2025-26 by 65%. The company explained that this is largely due to delayed programme initiation, and slower delivery progress in 2025-26 than anticipated. It expects to catch-up with allowances by the end of 2027-28 and overspend allowances by the end of the 2025-30 period.
- The company reported that it has not delivered its baseline target for 2025-26 (see section below on delivery in 2025-26).
- A key area of underperformance is mains renewals. The company explained that it considered the PCD delivery profile to not be achievable given the need for delivery to ramp up from PR19 levels. It also highlighted complexities around the programme in terms of costs and road access. It explained that the mains often cross congested roads in the South East, which increases programme complexity.
- The company is not forecasting to deliver all of its resilience interconnectors by the end of the 2025-30 period. The company explained that there is one resilience interconnector scheme that it was originally expecting to deliver in 2031 rather than 2030 as set out in PCD.
- The company also stated that there are significant risks around its resilience interconnector programme. These include risks around planning, land access and environmental impact assessments. The company stated that there are critical dates in Spring 2027 that it needs to meet on environmental impact assessments, and that if these dates are not met, the programme may get delayed by at least 12 months.

Delivery in 2025-26

In its May 2026 delivery plan update, the company reported delivering 51% less PCD outputs (in value terms) in 2025-26 compared to its baseline target. The company has therefore failed to demonstrate that it is not behind delivery in 2025-26.

A 3.2 Financeability assessment

South East Water requested in-period funding for its PFAS scheme cost adjustment submission. Although South East Water did not provided an assessment of its' financeability, the company considered that it is important this investment is funded in-period. It argues that the financeability assessment undertaken by both Ofwat and the CMA at PR24 assumed that all required investment is funded in-period, and this principle should be maintained. South East Water also set out the challenge it faces to raise the additional investment to deliver the improvements that customers need.

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 South East 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 determinations. We have maintained other assumptions, including the allowed return on capital set by the CMA, in line with the final determinations. Our financeability assessment assumes the company spends its totex allowances according to the profile set out in the final determinations and has no under- or out-performance.

Adjusted interest cover (AICR) and funds from operations to net debt (FFO/net debt) are only marginally lower than the financial ratios set out in the company's final determination. On average, and for all future years except 2027-28, the AICR is above our guidance for the target credit rating of Baa1/BBB+. For 2027-28, the ratio, at 1.59x is just below the guidance but recovers in subsequent years to provide significant headroom within the credit rating. FFO/net debt is on average across 2025-30 just below the guidance for the target credit as it was for the final determination, but the ratio improves over the period to again provide significant headroom within the credit rating. As such, we assess that South East Water remains financeable over the 2025-30 price control period without in-period funding. However, the inclusion of in-period funding for the company's PFAS scheme will help to mitigate any reduction in financial ratios.

Appendix 4: Our assessment of and decision on South East 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, or areas of outstanding natural beauty.

A 4.1 Growth

4.1.1 Water resources options

Requested (£ million)	Expenditure in scope of cost change (£ million)	Allowed (£ million)	Overall cost challenge (%)	In-period / End-of-period
23.74	3	9.93	+231%	End-of-period adjustment

Assessment criteria	Assessment	Decision	
		Criteria	% adjustment
Summary of request	South East Water requests £23.74 million (£7.78 million in 2025-30 and £15.97 million in 2030-35) to invest in new groundwater boreholes in the short-term and to accelerate several longer term WRMP24 supply schemes. The proposed groundwater schemes are planned to deliver 2.5Ml/d benefit by 2027 if progressed immediately. The acceleration of longer-term WRMP24 schemes (SES Water bulk supply and Butler to Beech Service Reservoir), are planned to provide at least 10Ml/d by 2031-32 to mitigate higher demands after 2030. The need for additional water is driven by higher than originally forecast housing growth in the West Kent region than what was planned for in the company's WRMP24. The final magnitude of the demand impact is still emerging through local plan development.		
Need for a step change in investment	**Summary of decision - Conditional Pass** South East Water provides sufficient and convincing evidence that the proposed investment meets the 'Need for step change in investment' criteria, conditional on further engagement with local planning authorities and regulators to confirm magnitude of additional demand. **Company evidence -** South East Water provides evidence that the housing growth forecasts prepared by the local planning authorities (LPAs) in the West Kent region of its supply area have materially increased since the development of its WRMP24. This is due to updates to projection methodologies and targets[9]. LPAs now forecast the development of 4,110 additional dwellings by 2029-30, representing a supply demand balance (SDB) impact of 1.31 Ml/d. This difference rises to 9,160 additional dwellings by 2034-35 with an SDB impact of 2.92 Ml/d. The company forecasts an SDB impact of 5.16 Ml/d through additional dwellings by 2039-40[10]. The growth evidence is not yet published in a final Local Plan but comes from direct engagement with the LPA as it develops its forthcoming draft Local Plan.	**Conditional Pass**	**0%**

[9] South East Water, 'Cost Change Submission 2026 Growth in Water Resources- Demand Growth investment submission to Ofwat', May 2026, pp. 1-2
[10] South East Water, 'Cost Change Submission 2026 Growth in Water Resources- Demand Growth investment submission to Ofwat', May 2026, pp. 3-4

	The company also provides evidence of engaging with the LPAs and the government's Water Delivery Taskforce (WDT) to explore options to deliver additional water and facilitate housing growth in the region. Through this engagement and the company's submission, the need to invest in new options now rather than wait for further certainty is set out. **Our assessment** – The company demonstrates that LPA housing projections have materially changed from those used for the development of its WRMP24 (and used to determine PR24 allowances). This change has a supply demand balance (SDB) impact on its water resources position in 2025-30 and beyond. These result in deficits in the relevant zone which requires re-balancing to ensure the level of drought resilience is maintained. Through our engagement with South East Water we find that the housing projections in the company's submission are based on ongoing engagement with LPAs. Projections and subsequent demand impacts are thus subject to change as LPAs progress their local plan development. While we acknowledge the evidence of demand growth incremental to the company's PR24 allowance, the final forecast numbers and development locations for this housing growth remains uncertain. South East Water should continue engaging with LPAs, regulators, government and other stakeholders to present greater certainty in its draft determination representation. This includes: • Evidence of engagement with LPAs that concludes the ongoing discussions; and • Finalised demand growth forecasts and development locations in its supply area that reflect LPAs housing estimates.		
Best option for customers	**Summary of decision - Partial Pass** We have determined that the specific groundwater schemes proposed by South East Water demonstrate the best options for customers to meet expected demand increases in the short term due to the level of certainty, permanence, and urgency in these schemes. The accelerated WRMP24 schemes (SES Water bulk supply and Butler to Beech Service Reservoir) are not yet sufficiently and convincingly evidenced to be best options for customers at this stage in development.	**Partial Pass**	**87.36%** **Three groundwater schemes assessed as best option**

	Company evidence – The company has reviewed a range of supply and demand options from its preferred and feasible WRMP24 option list. The company has presented the shortlist of five supply options (three groundwater and two transfer schemes) which it believes are currently the best options to meet the increase in demand forecast up to 2040. The company is engaging with the Environment Agency, Ofwat, LPAs and the government to validate the feasibility of the options selected through its appraisal, including yield assessments. The company presents evidence that the groundwater schemes may provide up to 2.5 megalitres per day (Ml/d) total benefit and are deliverable by summer 2027. The transfer schemes lead time is 5-6 years, with the SES Water Bulk Supply scheme delivering up to 10 Ml/d benefit, but the Butler to Beech Service Reservoir benefit is currently unconfirmed. The transfer schemes benefits have also been described by the company as temporary, before the benefit is reserved for other locations as per the WRMP24 preferred plan, and there is also uncertainty that the transfer schemes connection locations will align with the location of the new housing development areas. **Our assessment –** The company does not provide sufficient evidence to demonstrate that the scope and feasibility of all the schemes presented have been developed to the level expected in the submission. We have not been able to conclude that all the schemes presented are the best options for customers to resolve the housing growth need over the short and medium term. Our assessment has concluded that the three groundwater schemes have been assessed as the best option for customers to meet urgent, short term demand growth. The 2.5 Ml/d benefit delivered by the three groundwater schemes will enable the company to meet additional demand until mid 2030-35 and are necessary to maintain security of supply in the West Kent region. This is based on the latest LPA and company projections that an additional 1.31 Ml/d supply will be required by 2029-30, and 2.92 Ml/d by 2034-35. However, our assessment also acknowledges that additional yield and feasibility investigations are also currently ongoing on the groundwater schemes. South East Water should continue engaging with us, the Environment Agency and other stakeholders to present greater certainty on the scope and benefits of the three groundwater		**for customers**

	schemes. This can be in its draft determination representation and during the enhanced engagement process which we add this scheme to. Our assessment has concluded that sufficient and convincing evidence has not been provided that the two WRMP24 transfer schemes currently represent the best option for customers to meet medium to longer term demand growth in the area. This is primarily due to uncertainty on whether schemes physical scope and location of benefit delivery aligns with the location of the demand growth and a lack of quantified or permanence of the benefit. South East Water should progress further optioneering to achieve higher certainty on its medium to long term schemes that will meet the demand growth need from the mid-2030-35 to 2040 period. The company may wish to submit an investment case for medium to longer term options in the 2027 or 2028 cost change process windows, or at PR29. We exclude the costs of the longer term and less mature options at this stage resulting in £20.74 million excluded from the requested amount.		
Robust and efficient costs	**Summary of decision: - Pass** We have concluded that the three groundwater schemes are efficient based on the likely benefit (2.5Ml/d) they would supply. We consider an allowance of £9.93 million being efficient for the 2025-30 groundwater schemes against a request for £3.00 million. **Company evidence -** South East Water provides some cost estimates for the three 2025-30 groundwater schemes and accelerated WRMP24 options (SES water bulk supply and Butler to Beech Service Reservoir). **Our assessment -** The three 2025-30 groundwater scheme costs provided by the company do not completely account for all costs needed to deliver those schemes, as they exclude the costs for raw water main connections. Although estimates for the accelerated options were more detailed, they were originally developed for WRMP19 and have not been updated to reflect current market conditions. The company has not provided evidence of internal or external benchmarking to support the robustness and efficiency of the proposed costs.	**Pass**	**+231% for groundwater schemes**

	We consider that the company's cost estimates may not be appropriate in context of the concerns raised above, and do not accurately represent funding the company needs to develop the schemes, nor can they be used to determine efficiency. Therefore, we have used Ofwat's PR24 water supply enhancement unit cost benchmark to assess the efficient allowance for delivering a 2.5 Ml/d benefit through the three 2025-30 groundwater schemes. The allowance is based on a medium category unit cost as used at PR24 and was used to set allowances for comparable borehole schemes. Our assessment allows South East Water £9.93 million against its requested £3 million. This decision enables the company to deliver the proposed groundwater schemes (and the resultant 2.5Ml/d benefit to the supply demand balance). As cost maturity progresses, the company should provide evidence (internal benchmarks, contractor costs, or external benchmarks) to demonstrate cost efficiency, through its draft determination representation. As the two accelerated WRMP24 transfer schemes (SES bulk transfer and the Butler transfer) have not passed our assessment of best value options for customers, we have not assessed an efficient cost for these schemes or funded the benefit to be delivered. However, the company may submit another investment claim for these schemes in future claim windows (cost change or PR29) when it has more certainty on option scope and cost estimates.		
Customer protection	**Summary of decision - Requires significant improvement** The company has not submitted a PCD for the proposed options. We have proposed a PCD to deliver the funded Ml/d benefit, consistent with the PCD framework. **Company evidence -** The company has not presented a customer protection framework in its submission. However, we recognise that South East Water is currently progressing scoping, optioneering and cost estimation of the proposed options and therefore a customer protection framework had not been developed at the time of submission.	**Requires significant improvement**	**N/A**

	Our assessment: We propose a PCD to cover the WAFU benefit to be delivered by the short-term schemes, as well as adding this to the enhanced engagement programme. For further details of the proposed PCD please see 'Cost Change draft determinations 2026 – Price control deliverables appendix'.		
Investment delivery plan	**Summary of decision: Requires significant improvement** The company has not provided evidence of how it plans to deliver the proposed options. However, we recognise that South East Water is currently progressing scoping, optioneering and cost estimation of the proposed options and therefore an investment delivery plan had not been developed at the time of submission. **Company evidence -** The company has not evidenced its investment delivery plan. **Our assessment -** We expect South East Water to submit in its response to the draft determination an investment delivery plan to demonstrate its readiness for rapid delivery of the funded options, including identification of key risks to delivery and associated mitigation measures.	**Requires significant improvement**	**N/A**

A 4.2 Additional schemes to ensure the safety of drinking water with respect to PFAS

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
Summary of request	South East Water is requesting **£9.4 million** of in-period funding for 2025-30 to deliver PFAS treatment schemes at [redacted] and [redacted] water treatment works . The forecast totex for [redacted] WTW across the 2025-30		

	and 2030-35 periods is £17.3 million of which £5.7 million is for 2025-30. For [redacted], the total forecast is £9.6 million, of which £3.66 million is for 2025-30.[11] The schemes are driven by Tier 3 PFAS exceedances and regulatory requirements under the Drinking Water Inspectorate (DWI) 2025-30 PFAS strategy. The proposed solution involves installation of granular activated carbon (GAC) treatment at both sites. The company has provided evidence that the proposed investment exceeds the applicable materiality thresholds for the cost change process based on company turnover and wholesale totex thereby meeting the threshold conditions for consideration.[12] **Our conclusions on the scope of the assessment / requested allowance;** whilst £9.4 million is the number on which bill impacts are assessed and represents the allowance requested for 2025-30, the assessment and associated decision applies to the full forecasted cost presented for delivery of the schemes (i.e. £26.9 million totex of which £23.5 million is capex).		
Need for a step change in investment	**Decision summary – Pass.** The company provides sufficient and convincing evidence to demonstrate that the proposed investment meets the eligibility criteria for PFAS funding under the cost change process. **Company evidence** - The company provides evidence that monitoring data identifies Tier 3 PFAS exceedances at both [redacted] and [redacted], triggering regulatory intervention and requiring mitigation to reduce concentrations to Tier 1 or below.[13] The company states that existing	**Pass**	**0**

[11] South East Water, 'PFAS Cost Change Process Submission', May 2026, p.3, Table 1
[12] South East Water, 'PFAS Cost Change Process Submission', May 2026, p.3, Table 3
[13] South East Water, 'PFAS Cost Change Process Submission for May 2026', May 2026, p.3, pp. 9-10

	processes and operational mitigation, including blending, are insufficient to achieve Tier 1 compliance and that new treatment processes are required.[14] The company further provides evidence that the investment is required to meet formal regulatory expectations under the DWI 2025–30 PFAS Strategy undertaking, which requires sites in Tier 3 to implement mitigation with high priority to achieve Tier 1 compliance.[15] The company also confirms that this need arises from a new and emerging risk, following updated DWI guidance and is not funded through PR24 base allowances.[16] [17] **Our assessment** – The company provides sufficient and convincing evidence that the proposed investment meets the eligibility criteria for PFAS funding under the cost change process. Monitoring data and regulatory engagement demonstrate that PFAS concentrations at both sites exceed Tier 3 thresholds and that existing mitigation measures are insufficient to achieve Tier 1 compliance requirements. The requirement to install permanent PFAS treatment is therefore driven by a clear regulatory expectation to meet Tier 1 compliance, in line with DWI PFAS guidance and the company's 2025–30 PFAS Strategy undertaking.[18] [19] The need for investment arises from updated regulatory requirements and emerging water quality risks and has not been funded within PR24 base allowances.		

[14] South East Water, 'PFAS Cost Change Process Submission for May 2026', May 2026, p.10
[15] South East Water, 'PFAS Cost Change Process Submission for May 2026', May 2026, p. 9
[16] DWI, 'Guidance on the Water Supply (Water Quality) Regulations 2016 (as amended) for England and Water Supply (Water Quality) Regulations 2018 for Wales specific to PFAS (per- and polyfluoroalkyl substances) in drinking water', March 2025
[17] South East Water, 'PFAS Cost Change Process Submission for May 2026', May 2026, p.10
[18] DWI, 'Guidance on the Water Supply (Water Quality) Regulations 2016 (as amended) for England and Water Supply (Water Quality) Regulations 2018 for Wales specific to PFAS (per- and polyfluoroalkyl substances) in drinking water', March 2025
[19] DWI, 'South East Water Limited – AMP8 PFAS Strategy', November 2024

Best option for customers	**Decision summary – Pass.** The company provides sufficient and convincing evidence that the proposed solution meets the 'best option for customers' criterion. **Company evidence** - The company provides evidence that a structured optioneering process has been undertaken, including long list and short list assessments of potential solutions, considering site-specific constraints and the need to achieve compliance with PFAS regulatory thresholds.[20] Options were assessed against feasibility, deliverability and ability to achieve Tier 1 compliance, with non-treatment options discounted as not viable as they do not achieve the required reduction from Tier 3 to Tier 1 concentrations.[21] The company identifies GAC, ion exchange and reverse osmosis as the principal treatment options assessed at shortlist stage, with GAC selected as the preferred solution based on technical effectiveness, cost and operational considerations.[22] The company also provides evidence that cost–benefit analysis has been undertaken for shortlisted options, demonstrating that both options are beneficial but that GAC provides the highest cost–benefit ratio.[23] **Our assessment** -The company provides sufficient and convincing evidence that the proposed solution meets the best option for customers criterion. The company is required to achieve Tier 1 compliance with PFAS thresholds in accordance with, DWI guidance and the requirements of its 2025-30 PFAS Strategy undertaking. PFAS concentrations at both sites exceed Tier 3 thresholds and non-treatment options, including blending, demand management and network-based interventions, are insufficient to	**Pass**	**0**

[20] South East Water, 'PFAS Cost Change Process Submission', May 2026, pp.11-12
[21] South East Water, 'PFAS Cost Change Process Submission', May 2026, pp.12-13
[22] South East Water, 'PFAS Cost Change Process Submission', May 2026, pp.14-15
[23] South East Water, 'PFAS Cost Change Process Submission', May 2026, pp.16-17

	achieve compliance within the required timeframe. This constrains the feasible solutions to only those that are treatment-based. Given the limited range of possible options, the company's ability to consider a wide range of alternatives is constrained. The company has assessed the principal treatment alternatives and identified GAC as the preferred solution based on technical effectiveness, deliverability and cost–benefit performance. We would observe that whilst we concur that GAC is the best solution, there is a paucity of evidence that the particular GAC solution is appropriate for site-specific PFAS conditions. This is particularly relevant in the context of the PFAS profiles identified in the DWI regulation 28(4) Notices for both [redacted] and [redacted] WTWs (issued post submission to cost change process), which include a mixture of PFAS species comprising long-chain PFAS, as well as short-chain PFAS and precursor compounds.[24,25] While GAC is widely applied and is recognised as effective for the removal of longer-chain PFAS, the presence of short-chain PFAS and precursor compounds introduces additional uncertainty regarding treatment performance across the PFAS profile identified at these sites. The company has not provided site-specific pilot testing or evidence demonstrating expected performance across the full PFAS profile.[26] As such, the evidence provided does not demonstrate that uniformly high (>99%) PFAS removal can be achieved across all PFAS species identified at these sites.		

[24] DWI, [redacted]', June 2026
[25] DWI, [redacted]', June 2026
[26] South East Water,'Query Response, REF: OFW-SEW-CCP-004', June 2026

	We set no conditions on the provision of this evidence as a condition to passing the criterion for best option, as we do not regard it as intrinsic in agreeing an allowance for the scheme nor will it result in a departure from agreeing GAC as a solution. We would, however, encourage the company to consider how treatment performance can be assessed against the PFAS profiles identified at the works (e.g. through site-specific testing). For any future cost change process submissions, we would also encourage the company to provide site-specific evidence demonstrating expected treatment performance for the PFAS species identified at each site. This may include pilot testing, bench-scale testing, supplier evidence or other technical assurance demonstrating that the proposed treatment solution can achieve the required level of PFAS removal under site-specific conditions. The company provides sufficient and convincing evidence that the preferred option represents the most credible, deliverable and best value option for customers in the circumstances.		
Robust and efficient costs	**Decision summary – Pass.** The company provides sufficient and convincing evidence that costs are robust and efficient, although there is some uncertainty associated with early-stage design maturity. **Company evidence -** The company provides evidence that cost estimates are derived from early-stage design and technical studies, supported by standard estimating approaches and benchmarking. Costs have been developed using internal cost models, supplier and contractor input and industry comparisons, with further independent benchmarking undertaken to assess efficiency against wider sector cost data.[27] The company also provides evidence that cost estimates are supported by	**Pass**	**0**

[27] South East Water, 'PFAS Cost Change Process Submission', May 2026, pp. 17-21

	third-party assurance and benchmarking assessments, which indicate that proposed costs are broadly below or in line with sector benchmarks. The submission reflects two site-specific schemes, each with differing characteristics and constraints which influence cost estimates. **Our assessment** – The company provides sufficient and convincing evidence that costs are robust and efficient. Cost estimates are supported by benchmarking against industry comparators and independent third-party assurance, which provide confidence that proposed costs are broadly consistent with, or below, sector benchmarks. The use of multiple costing approaches and supporting technical studies further strengthens the credibility of the cost estimates. Although it is noted that, the schemes are at a relatively early stage of design maturity, and there is therefore some uncertainty associated with cost estimates, which limits the strength of cost assurance compared to more mature schemes, it does not materially undermine the overall assessment.		
Customer protection	**Decision summary – 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 that customer protection is delivered through a Price Control Deliverable (PCD) linked to regulatory compliance, as an addition to the existing South East Water Raw Water Quality Deterioration Price Control Deliverable (PCDW14). In line with the approach of the existing PCD, meeting the completion date of DWI issued site-specific notices would classify as output delivered. The unit rate would be based on the allowance(s) given. Since submission of the Cost Change	**Adequate**	

	document in May 2026, the DWI have issued these Notices[28] [29] [30]. The company proposes that, in the event of non-delivery or failure to meet regulatory requirements, the full allowance associated with the PFAS schemes would be returned to customers. **Our assessment** The company's proposed approach to setting a PCD is in line with the approach for other similar schemes adopted at PR24. If the company under-delivers (ie fails to meet the relevant DWI Notices), the funding will return to customers. Further detail on this PCD can be found in "Cost change draft determinations 2026 – Price control deliverables appendix". The use of PCDs linked to regulatory compliance and following existing PCD arrangements, provides a clear and enforceable mechanism to protect customers from non-delivery.		
Investment delivery plan	**Decision summary – Adequate** The company provides evidence that a high-level delivery plan has been developed for both schemes, including key milestones from planning through to construction, commissioning and handover aligned with proposed regulatory timelines.[31] The company confirms that the schemes are at an early stage of development and that a detailed delivery programme and critical path have not yet been fully developed. The company also provides evidence of identified delivery risks, including planning, solution definition and supply chain constraints, supported by	**Adequate**	

[28] South East Water, 'PFAS Cost Change Process Submission', May 2026
[29] DWI, [redacted] June 2026
[30] DWI, [redacted] June 2026
[31] South East Water, 'Query Response, REF: OFW-SEW-CCP-004', June 2026

	initial risk assessments and a programme-level risk management approach. **Our assessment –** The company provides sufficient evidence of a high-level delivery approach aligned with the regulatory driver. The proposed delivery plan is broadly consistent with the required timeline to achieve compliance and demonstrates an understanding of the key stages of scheme development and delivery. The company acknowledges that the schemes are at an early stage of development and that the delivery programme will continue to be refined as design progresses. It has identified key delivery risks including solution changes, planning and third-party interfaces, and has set out a programme level approach to managing these risks through dedicated risk management arrangements and ongoing review of the risk register. The company has also provided information on its proposed approach to parallel delivery across both sites and the management of resourcing and supply chain requirements.[32] While there remains uncertainty associated with the current level of design and programme maturity, this is proportionate to the stage of scheme development and does not undermine confidence in deliverability.[33] We therefore consider the evidence adequate to demonstrate a credible delivery approach for both schemes.		

[32] South East Water, 'Query Response, REF: OFW-SEW-CCP-004', June 2026, p. 5
[33] South East Water, 'Query Response, REF: OFW-SEW-CCP-004', June 2026, p. 5

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