August 2026

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

Ofwat

Keith Haslett
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Dear Keith

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 South West 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 South West Water 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):

- 1. Cyber security
- 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 South West Water's expenditure allowances are funded

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

South West Water should ensure that it reads all the information referred to above before responding to this consultation. The closing date for responding to this draft determination consultation is 24 September 2026. We have published South West Water's cost change submission on our website.

Yours sincerely,

Helen Campbell

Executive Director, Delivery

Contents

Appendix 1: Cost change draft determination

In South West Water's 2026 cost change submission, we received 8 claims across the following cost areas:

- Asset health: Gravity sewers inspections
- Asset health: Gravity sewers rehabilitation
- Asset health: Rapid gravity filters
- Asset health: Settlement tanks
- Asset health: Trickle filters
- Asset health: Water network storage assets
- Growth - Growth at Sewage Treatment Works
- Cyber

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 South West 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	239.2	0.0
Ofwat 'insufficient evidence of need' or 'out of scope of cost change process' assessment[1]	-59.4	0.0
Company total 'in scope' cost change claim[2]	179.9	0.0
Ofwat 'best option' challenge[3]	0.0	0.0
Ofwat efficiency challenge[4]	0.0	0.0
Ofwat draft determination cost change allowance	179.9	0.0

Our draft determinations include price control deliverables (PCDs) to hold South West Water to account for delivery. Our approach to PCDs is set out in the Cost Change Draft Determinations 2026 – Price control deliverables appendix. Please note that the cost

[1] Details of costs excluded are set out in Appendix 3.
[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.

change allowances above incorporate a late correction to the modelling inputs for our draft determination decision for water asset health. However, due to time constraints, this change has not been reflected in the draft determination PCDs.

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.

Table 2: South West 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	Bristol area water resources	Bristol area water network plus	Total
Total in-period revenue adjustment for 2027-28	0.000	0.000	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	0.000	0.000
Total in-period revenue adjustment for 2029-30	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total end of period revenue adjustment at PR29	0.000	8.398	17.553	0.000	0.000	4.509	30.460

Table 3: South West 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	Bristol area water resources	Bristol area water network plus	Total
Total end of period RCV adjustment at PR29	0.000	46.766	91.653	0.000	0.000	29.444	167.863

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 South West Water, the last determined priced controls are those updated for the 2025 blind year reconciliation.

Appendix 2: Our determinations on how we fund South West Water's expenditure allowances

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 summarised 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 West Water we do not allow in-period funding of the allowed expenditure. Our decision reflects our consideration of the relevant factors in the round.

- We do not provide in-period funding for £10.3 million of allowed expenditure for South West 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.
- We do not provide in-period funding for £1.5 million of allowed expenditure for South West Water's gravity sewers inspections claim. We set out in our PR24 Cost change guidance for gravity sewers, that any adjustments to allowances for increased gravity sewer inspections would be funded through an end-of-period adjustment.[7]
- We do not provide in-period funding for £169.6 million of allowed expenditure for South West Water's asset health claim. Funding for this asset health expenditure will be provided as an adjustment to RCV at 31 March 2030 and an adjustment to revenues over the 2030-35 price control period.

[6] We recently published a licence modification consultation which would allow in-period funding for growth from 2027.
[7] Ofwat, 'PR24 Cost change process: Gravity sewers investment assessment guidance' February 2026. Page 9.

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

Our draft decision is to not provide any funding in-period for South West Water. Whilst we considered that the company may face a financeability constraint on the basis of the notional capital structure over the 2025-30 period, this was on the basis of spending all of its totex allowances. While the company appears on track to deliver by 2029-30, our assessment is that the company has not demonstrated that it is not behind delivery in relation to its water 2025-26 commitments. It has also underspent its year 1 water and wastewater PCD allowances. As such, we do not consider that in-period funding should be provided at this stage. We note that any reduction in financial ratios as a result of the additional expenditure allowances may be mitigated by the current underspend on its PCD water and wastewater allowances.

If South West 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[8]. 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 submission window. This should take account of the latest view on progress on delivering existing investment programmes.

If the company requests in-period funding as part of a future cost change process, we will reassess all of the factors relevant to in-period funding set out in the cost change draft determinations sector overview.

A2.1 Delivery assessment

2025-30 delivery

We reviewed the company's May 2026 delivery plan update. Although we have concerns about the company's output forecasts, overall, we consider that the company provides 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 for water and wastewater.

Water

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

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

- The company reported meeting all of its interim milestones in 2025-26.
- The company is forecasting to have released 74% of capital schemes to the supply chain by the end of 2026-27.
- The company is forecasting to have 85% of capital schemes in construction or delivered by the end of 2027-28.
- The company remains confident that it will deliver all of its price control deliverables (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 2025-30 period:

- The company showed slow progress in relation to water PCD outputs, delivering below the baseline target in 2025-26 (see section below on delivery in 2025-26).
- Underperformance was driven partly by mains renewals and smart metering. On mains renewals the company explained that it is behind on delivery due to delivering mains but not commissioning them. On metering, the company explained that the challenge has been primarily new installations with the company performing better in meter replacements.
- The company has underspent its water PCD allowances by 52% in 2025-26. This suggests possible slippage in its delivery plan. The company is also forecasting to underspend PCD allowances by the end of 2025-30 period. The company explained that it is targeting cost efficiencies in its programme

Wastewater

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

- The company showed good progress in relation to wastewater PCD outputs, delivering more than baseline target in 2025-26 (see section below on delivery in 2025-26).
- The company reported meeting most of its interim milestones (97%) in 2025-26.
- The company remains confident that it will deliver 100% 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 has underspent its wastewater PCD allowances by 77% in 2025-26. This suggests possible slippage in its programme. The company is also forecasting to underspend PCD allowances by the end of 2025-30 period. Underspend is in areas where the company is not due to deliver until later in the 2025-30 period. The company also explained that it is targeting cost efficiencies in its programme.

- The company is expecting to have released only around 30% of capital schemes to the supply chain by the end of 2026-27, and have 38% of capital schemes in construction by the end of 2027-28. This is significantly below the sector average and therefore, we have concerns that this could lead to further slippage later in the 2025-30 period.

Delivery in 2025-26

Based on its May 2026 delivery plan update, the company has failed to demonstrate that it is not behind delivery in 2025-26.

- On water, the company reported delivering 38% less PCD outputs (in value terms) in 2025-26 compared to baseline target.
- On wastewater, the company reported delivering 18% more PCD outputs (in value terms) in 2025-26 compared to baseline target.

A2.2 Financeability assessment

South West Water requested in-period funding within its cost change submission. In a joint submission with SES Water, the company argued that even the relatively modest investment case it proposed could have a material adverse effect on its notional credit metrics if recovery was deferred to the end of the period. It also argued that this would be compounded with further submissions in 2027.

South West Water also set out that in-period funding would be in the long-term interests of customers, as it would minimise the whole life costs to the customer and maintain the smoothest bill profile for customers between price control periods. It also sets out that this would most closely replicate the natural profile for customers had the totex been allowed at PR24. The company supported this with customer research that found that 78% of participants preferred bill increases to begin earlier, and argued that stakeholder engagement has consistently found that customers value a smooth bill profile that avoids step-changes in revenue between regulatory periods. We have responded to these points in the Cost Change Draft Determinations 2026 – Sector overview.

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 West Water's financeability on the basis of the notional capital structure within a copy of the 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, 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 and funds from operations are lower than the financial ratios set out in our final determinations and decline significantly over the period. In particular, whilst the adjusted interest cover remains just above our guidance in all years, the funds from operations to net debt ratio in each of the years 2028-29 and 2029-30is below our guidance for the target credit rating of Baa1/BBB+. As such, we consider that South West Water may have a financeability constraint over the later years of the 2025-30 price control period without in-period funding. After providing for in-period revenue adjustments and additional equity injections, we consider that in-the-round, financial ratios are consistent with the target credit rating over the 2025-30 price control period.

Appendix 3: Our assessment of and decision on South West 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.

A3.1 Asset health

3.1.1 Gravity sewers inspections

Assessment criteria	Assessment	Decision
Approach and Robust and Efficient Costs	**Decision summary – Pass** The company has provided sufficient and convincing evidence that its sampling approach is appropriate and that its costs are efficient. We propose to provide the full allowance.	**Pass**
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 a price control deliverable (PCD) for the investment funded by the requested additional allowance. The additional allowance 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 inspections. The company provided a non-delivery PCD rate for inspections. **Our assessment** - The company's proposed non-delivery PCD is in line with our expectations, as 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**

3.1.2 Gravity sewers rehabilitation

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
Summary of request	South West Water is requesting an additional **£73.9 million** of funding across the 2025-30 period (AMP8). This includes: £60.7 million for gravity sewer rehabilitation; £11.7 million for rehabilitation of an estuary sewer system in Fowey; and £1.46 million for CCTV investigations. This deep dive is associated with the gravity sewer rehabilitation and Fowey components. **Component 1**: The company requests £60.7 million to fund **incremental capital maintenance rehabilitation of 124 kilometres** of gravity sewer over and above PR24 planned expenditure, focused on pipes with the highest likelihood and consequence of structural failure. This is in addition to its existing gravity sewer rehabilitation programme, making a total of 329 kilometres (base + enhancement + uplift) of gravity sewer rehabilitation programme in the 2025-2030 period. **Component 2**: The company requests £11.7 million for the full rehabilitation of the **foreshore gravity sewer in the Fowey estuary**. It proposes full replacement of the existing asset with up to 1.6 kilometres spun iron and clay sewers; 485 anti-floatation blocks; up to 80 connection nodes and manholes; up to 76 lateral connections; all associated assets, infrastructure and temporary working to facilitate a sewer renewal scheme within a complex marine environment.		
Need for a step change in investment	**Decision summary: Pass (components 1 & 2)**. The company provides sufficient and convincing evidence that the proposed investment meets the 'Need for step change in investment' criteria for additional asset health investment for its gravity sewer assets.	**Pass**	**0%**

	Implicit allowance The company's view of 'what base buys' (implicit allowance) across its asset proposals is lower than our view of what base buys based on historical sector expenditure rates. [9] In order to protect customers from paying twice, our general approach is to recover cost change allowances where existing base allowances turn out to be sufficient. If we were to amend this approach, we would look to implement a targeted customer protection for this allowance in light of the concern regarding 'what base buys'. **Component 1:** **Company evidence:** The company provides evidence to demonstrate its historical investment and the resulting performance; it shows that its investment has maintained recent stable performance in blockages and collapses. The company states that the sewer rehabilitation rate dropped significantly in the 2020-2025 period due to re-prioritisation of investment to rising mains. [10] There is a planned increase in sewer rehabilitation over the 2025-2030 period to replace 0.8% of the network which includes enhancement allowance from its PR24 targeted asset health programme. The company does not provide actual observed asset condition data, but instead infers asset condition through performance analyses of blockages, collapses and other service measures such as pollution and flooding.[11] It states that it used the latest UKWIR report to develop a set of asset health metrics (blockages, particularly those associated with condition defects as these are considered a sewer collapse risk) that inform its deterioration modelling. The company states that structural failure related blockages, against a background of stable blockage performance overall indicates that reactive risk is increasingly asset-condition driven, and a return to targeted capital investment in sewer rehabilitation is required.[12] It also points to the higher risk of failure in the transferred		

[9] Our assessment and further detail can be found in the Cost Change Draft Determinations 2026 – Asset health cross cutting issues appendix
[10] South West Water, 'Cost Change Submission 2026 - Technical Business Case - Gravity Sewers Refurbishment', May 2026, pp.5-6
[11] South West Water, 'Cost Change Submission 2026 - Technical Business Case - Gravity Sewers Refurbishment', May 2026, pp.7-11
[12] South West Water, 'Cost Change Submission 2026 - Technical Business Case - Gravity Sewers Refurbishment', May 2026, p.9

	sewer network. The company demonstrates that deterioration modelling has been conducted to determine future rehabilitation rates and the model looks 25 years into the future to estimate long-term asset health[13]. The company states it has engaged with the Environment Agency (EA) through established regulatory interactions relating to pollution incidents, environmental performance and storm overflow spill reduction. It states that local authority engagement has also informed understanding of areas sensitive to flooding and disruption, particularly for coastal and estuarine sewer assets. **Component 2:** **Company evidence:** The company provides evidence to show the sewer and connections into it are partially submerged in sea water, and tidal infiltration occurs, leading to saline corrosion inside the assets. Over time the corrosion is reducing hydraulic capacity and compromises structural integrity. The same corrosion limits the ability to conduct CCTV survey to determine actual asset condition, but this is inferred through the increase in saline infiltration. Infiltration is currently managed through targeted interventions. **Component 1:** **Our assessment:** The company provides sufficient and convincing evidence that the proposed additional investment through increased renewals is required to prevent deterioration in asset health over the long-term. It shows that historical investment has been sufficient to maintain stable performance levels for blockages and collapses, but its data shows that structural defects are increasing. Forecast models show deteriorating performance without a significant increase in renewal rates. This demonstrates a change in asset risk in the future and that a step change in investment is required. The company provides some evidence of activities associated with base expenditure and the		

[13] South West Water, 'Cost Change Submission 2026 – Technical Business Case – Gravity Sewers Refurbishment', May 2026, p.12

	enhancement allowance at PR24 to demonstrate there is no overlap in investment, but this lacks detail. It also does not clearly articulate the quantities of the type of activity to be carried out, e.g. the proportions of relining compared to replacement. For any future cost change process submissions, we would expect the company to provide more clarity on the activities that will be carried out under base allowances compared to the requested investment. We would also expect the company to provide better detail on the breakdown of types of activity proposed. **Component 2**: **Our assessment:** The company provides sufficient and convincing evidence of the need for a step-change in investment. It shows that the asset is undergoing progressive deterioration due to infiltration of sea water; it states that this represents a systemic asset health issue that cannot be efficiently resolved through continued piecemeal repair. However, the submission could be improved through the provision of better (quantified) risk information that shows how risk is expected to change over time. For any future cost change process submissions, we would expect the company to provide better information on how risk changes over time to demonstrate why the proposed investment is required now.		
Best option for customers	**Decision summary – Pass (components 1 & 2)**. The company provides sufficient and convincing evidence that the proposed investment meets the requirements for 'Best option for customers' for additional asset health investment. **Component 1:** **Company evidence**: The company states that it has considered a range of future long-term asset health scenarios using its risk-based investment model (asset deterioration	**Pass**	**0%**

	modelling)[14]. It also describes the scenarios with details and assumptions against each proposed intervention. Five intervention options have been shortlisted and modelled; the output of the modelling is provided as costs by asset management period (AMP) and service impact for each year to 2050 (forecast impact on service blockage, structural blockages and collapses). The company's preferred option is the one that achieves no increase in any modelled service measure e.g. flat blockages & collapses performance. [15] The company provides additional cost and benefit information for the options and the preferred option,[16] but this is not quantified into a comparable cost benefit ratio for each option. The preferred solution is described in terms of km and cost of rehabilitation over the next three years, plus a longer term 25 year profile, split by public and transferred private sewers.[17] It shows that after the 2025-2030 period, the majority of rehabilitation will be focused on the transferred private sewer network. It also provides a table to show the service benefits of the additional investment during the next three years.[18] **Component 2:** **Company evidence:** The company provides evidence to show that it considered five options, the two most realistic are carried forward to cost benefit analysis (CBA). The proposed solution achieves the maximum risk reduction and achieves a high cost / benefit output. The company states that for customers, the most important benefit of this investment is the material reduction in the risk of pollution incidents and dry weather		

[14] South West Water, 'Cost Change Submission 2026 - Technical Business Case - Gravity Sewers Refurbishment', May 2026, pp.11-12
[15] South West Water, 'Cost Change Submission 2026 - Technical Business Case - Gravity Sewers Refurbishment', May 2026, p.14
[16] South West Water, 'Cost Change Submission 2026 - Technical Business Case - Gravity Sewers Refurbishment', May 2026, pp.17-18
[17] South West Water, 'Cost Change Submission 2026 - Technical Business Case - Gravity Sewers Refurbishment', May 2026, p.14
[18] South West Water, 'Cost Change Submission 2026 - Technical Business Case - Gravity Sewers Refurbishment', May 2026, p.19

	storm overflow spills arising from gravity sewer failure in sensitive coastal and estuarine environments. **Component 1:** **Our assessment:** The company provides sufficient and convincing evidence that it has considered a wide range of options, used deterioration modelling to determine future requirements and conducted cost benefit analysis for each shortlisted option. The company's preferred investment option maintains stable performance for the key service measures, which seems appropriate for achieving long-term asset health, however overall quantified cost benefit ratios for each option are not provided. Additionally, it is not clear if the company considered a longer list of unconstrained options other than the five shortlisted options. The case could be strengthened through the provision of quantified cost benefit analysis outputs and a description of other options that were considered and reasons why they were not taken forward. For future cost change process submissions, we would expect the company to provide quantified cost benefit analysis and descriptions of other options that were considered and and reasons why they were not taken forward. **Component 2:** **Our assessment**: The company provides sufficient and convincing evidence that it has considered all credible options and that its preferred option is the most cost beneficial. It provides a detailed cost breakdown of the preferred option, demonstrating a detailed understanding of the solution required.		

Robust and efficient costs	**Decision summary – Pass (components 1 & 2)**. The company provides sufficient and convincing evidence that the proposed investment meets the robust and efficient costs' criteria for additional asset health investment in its gravity sewer network. **Component 1:** **Company evidence**: The company estimates costs by applying a rehabilitation unit rate of approximately £490 per metre to the forecast length of gravity sewers requiring intervention, with this rate informed by the company's historical delivery experience for similar activities[19]. This provides a clear and understandable basis for cost estimation and demonstrates the use of historical cost data consistent with expectations for established costing methodologies. The company has undertaken benchmarking against wider industry data and indicates that the proposed rehabilitation rate is materially below the cited industry benchmark average of approximately £1,000 per metre. The company also provides a high-level reconciliation of costs by sewer type and intervention category, allowing the overall programme value (c.£60.7 million) to be understood at aggregate level. **Component 2:** **Company evidence**: The company states that unit-cost comparisons are not like-for-like, as industry benchmarks predominantly reflect inland, unconstrained sewer rehabilitation and do not account for tidal access restrictions, marine construction methods, specialist materials, or the elevated environmental and delivery risks inherent to foreshore works. The company states that it has worked with its delivery partners to develop the robust bottom-up cost estimate, informed by comparable foreshore schemes, supplier	**Pass**	**0%**

[19] South West Water, 'Cost Change Submission 2026 – Asset Health', May 2026, pp.52-54

	engagement and an explicit allowance for the reduced productivity associated with tidal working, weather sensitivity and constrained access. **Component 1:** **Our assessment**: The company provides sufficient and convincing evidence to demonstrate that it has a robust and evidence-based approach to cost estimation. It provides a clear and understandable basis for cost estimation and demonstrates the use of historical cost data consistent with expectations for established costing methodologies[20]. Its proposed unit costs are below comparator averages, which provides a reasonable level of assurance that proposed costs are broadly efficient. High level reconciliation of costs is provided, but transparency is reduced by the absence of a detailed breakdown of the underlying cost build-up within the £490 per metre rate, including limited visibility of the split between direct costs, indirect costs and other cost components. While this limits comparability and independent triangulation at a granular level, it does not materially undermine confidence in overall efficiency given the comparative benchmark. Therefore, the submitted evidence provides sufficient confidence that costs are broadly efficient. **Component 2:** **Our Assessment:** This component, rehabilitating 1 kilometre for £11.7 million, has a unit rate of £11,700 per metre. This is 1,800% higher than the median (£604 per metre), and higher than the median for all three intervention types (relining, trenchless replacement, and replacement by excavation).[21]		

[20] South West Water, 'Cost Change Submission 2026 – Cost Methodology and Efficiency', May 2026 pp.8-15
[21] Cost Change Draft Determinations 2026 – Asset health cross cutting issues appendix

	However, the company provides sufficient and convincing evidence that its costs are efficient. It has developed robust and detailed bottom-up costs for the scheme, underpinned by comparison to similar schemes. The cost of the scheme is not comparable to general sewer rehabilitation on a unit cost basis due to its uniqueness		
Customer protection	**Decision summary – Some gaps.** The company provides sufficient and convincing evidence that customers will be protected if the company under-delivers against the requested additional investment, however, does not provide any protection for the PR24 implicit allowance. We have therefore applied a PCD to the 'what base buys' estimate. **Company evidence** - The company proposes a price control deliverable (PCD) that covers the proposed additional investment. This PCD consists of two-sub elements to ensure delivery of the following activities, those are: unspecified sewer rehabilitations in kms and specified sewer rehabilitations at Fowey in km. The company does not propose a PCD for activities delivered by existing PR24 base expenditure allowances. **Our assessment** - The company's proposed non-delivery PCDs tied to the requested allowance is in line with our expectations set out in the Asset Health assessment guidance. The company sets out the km of rehabilitation to be delivered but does not specify pipe diameter or location. This further detail would allow us to monitor delivery and reconcile outputs against the allowance more effectively. The absence of a PCD covering base allowances means that customers are not protected from the company in the event of non-delivery of its activities associated with base allowances. To ensure activities associated with base allowances are delivered, a Base PCD will be applied to the 'what base buys' estimate provided by the company in the 'Need for Investment' gate of the submission.	**Some gaps**	**N/A**

	Further details relating to the proposed PCD are set out in the Cost Change Draft Determinations 2026 – Price control deliverables appendix.		
Investment delivery plan	**Decision summary – Some gaps:** The company provides sufficient and convincing evidence that it has considered delivery risks and wider stakeholder engagement at programme level, however the evidence provided at asset level is limited. In its response to the draft determination, additional evidence of delivery risks and stakeholder engagement specifically for the proposed investment should be provided. **Company evidence:** The company provides deliverability evidence at a programme level in its overarching document for its proposed asset health investment.[22] This highlights programme level delivery risks, and stakeholder and supplier engagement. For the gravity sewer rehabilitation proposed investment, the company provides evidence of engagement with its supply chain to confirm deliverability and an outline programme.[23] For the Fowey proposed investment, it demonstrates that engagement with the supply chain is well underway and it has completed early-stage feasibility, outline design and high-level construction planning. A detailed cost estimate and delivery programme is provided. **Our assessment** - The company provides sufficient and convincing evidence that it has considered delivery risks and wider stakeholder engagement at a programme level, plus evidence of supply chain engagement at an asset level. However, there is limited evidence that asset level delivery risks have been considered. Additionally, the company states that engagement with the Environment Agency has taken place, but this is at a programme level, with no specific evidence provided for the proposed investment. In its response to the draft determination, the company should provide more detailed evidence that specific risks associated with the delivery of the proposed schemes (both the gravity sewer and Fowey schemes) have been identified and mitigations put in place.	**Some gaps**	**N/A**

[22] South West Water, 'L2 - Cost Change Submission 2026 - Asset Health', May 2026, pp.56-58
[23] South West Water, 'L3 - Cost Change Submission 2026 - Technical Business Case - Gravity Sewers Refurbishment', May 2026, p.18

	Additionally, it should provide evidence of engagement with the relevant bodies (the Environment Agency and local authorities) for the Fowey scheme in particular.		

3.1.3 Rapid gravity filters (South West area)

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
Summary of request	South West Water requests £23.49 million of funding through the PR24 cost change process for replacement of filter assets at Northcombe and Bratton Fleming Water Treatment Works (WTW), with all costs incurred during the 2025-2030, and no identified operational expenditure (opex) savings through repairs saved. The Northcombe proposal (£17.6 million) relates to replacement of primary treatment assets in response to significant asset deterioration and associated risks to supply reliability and water quality.[24] The Bratton Fleming proposal (£5.89 million) relates to replacement of FloFilter assets as part of a wider c.£36 million WTW redevelopment, delivered across cost change, base and enhancement funding streams.[25]		
Need for a step change in investment	**Decision summary – Partial Pass (Northcombe – Pass, Bratton Fleming – Fail)** The company demonstrates a credible asset health need at both sites. Northcombe is presented as a discrete asset replacement scheme and the company provides sufficient and convincing evidence to demonstrate that a step change in investment is required. In contrast, Bratton Fleming forms part of a wider redevelopment programme and the company has not demonstrated that the proposed Rapid Gravity Filter (RGF) investment	**Partial Pass** **Northcombe – Pass;** **Bratton Fleming – Fail**	**Northcombe – 0%** **Bratton Fleming – 100% removal**

[24] Pennon, 'Cost Change Submission – asset health – technical annex: Northcombe WTW', May 2026, p. 3, p.5
[25] Pennon, 'Cost Change Submission – asset health – technical annex: Bratton Fleming WTW', May 2026, p. 3, p.5

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	is sufficiently discrete from PR24 base and enhancement funded activities to be assessed separately through the cost change process. The company's view of 'what base buys' (implicit allowance) across its asset proposals is lower than a view of what base buys based on historical sector expenditure rates. [26] In order to protect customers from paying twice, our general approach is to recover cost change allowances where existing base allowances turn out to be sufficient. If we were to amend this approach, we would look to implement a targeted customer protection for this allowance in light of the concern regarding 'what base buys'. **Company evidence** - The company provides detailed evidence that the Flofilter assets at both Northcombe and Bratton Fleming WTW are over 30 years old, have exceeded their original design life and now exhibit deterioration, including corrosion, leakage and structural degradation. Condition assessments, maintenance history, outage records and operational performance data indicate increasing asset health risks and declining resilience at both sites, including increased outages, prolonged capacity reductions and repeated incidents affecting treatment performance and site resilience. [27] [28] This is broadly consistent with the company's wider asset health strategy set out in its summary asset health submission, which identifies that continued reliance on base		

[26] Our assessment and further detail can be found in Cost Change Draft Determinations 2026 – Asset health cross cutting issues appendix
[27] Pennon, 'Cost Change Submission – asset health – technical annex: Northcombe WTW', May 2026, p. 3, pp. 8-9, Appendix A, p.21
[28] Pennon, 'Cost Change Submission – asset health – technical annex: Bratton Fleming WTW', May 2026, p. 3, p. 6, pp. 7-8, p.10

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	maintenance can lead to sub-optimal repair and deferral of replacement for high-risk assets.[29] [30] [31] **Our assessment** - We are not convinced that there is a sector-wide health issue for rapid gravity filters.[32] However, in line with our approach at PR24, we assess the evidence provided by the company to determine whether a step change in investment is needed. We consider this at site level below. While the company's submission references support from the Drinking Water Inspectorate (DWI), no formal support evidence is provided. We request that the company provides this with its draft determination response.[33] **Northcombe** - The evidence provided demonstrates clearly that the assets are in poor and deteriorating condition, with issues that are structural rather than isolated defects. The persistence and spread of leakage across multiple units, combined with corrosion and integrity loss, indicates that deterioration is progressive and cannot be addressed through reactive maintenance alone.[34]		

[29] Pennon, 'Cost Change Submission – asset health', May 2026, p. 27, p. 30
[30] Pennon, 'Query Response, REF: OFW-SBB-CCP-004', June 2026, p. 8, p. 15
[31] Pennon, 'Cost Change Submission – asset health – technical annex: Bratton Fleming WTW', May 2026, p. 3, p.5
[32] Further detail can be found in Cost Change Draft Determinations 2026 – Asset health cross cutting issues appendix
[33] Pennon, 'Cost Change Submission – asset health', May 2026, p.30
[34] Pennon, 'Cost Change Submission – asset health – technical annex: Northcombe WTW', May 2026, pp.8-9

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	The company also provides convincing operational evidence that the consequences of this deterioration are already being realised, including reduced treatment capacity, extended outages and increased operational intervention, which collectively reduce supply resilience.[35] The company also provides evidence that intervention now, would create an OPEX saving in the longer term and that the investment required to resolve the issues, would represent a step change relative to the implicit allowance. Taken together, this provides a clear and evidenced link between asset condition, operational performance and increasing risk, demonstrating that the current level of base maintenance is insufficient to manage the risk position. Where we see a gap in the evidence provided by the company, is that they have not accounted for predicted OPEX savings. This will not impact our overall decision to award funding, but we expect the company to submit revised data tables in response to this draft determination, with any costs savings associated included. We consider that the company has submitted sufficient and convincing evidence that a step change in investment is needed. **Bratton Fleming**-The company provides a clear and well-evidenced case that the existing FloFilter assets are in poor condition and that deterioration is progressive and cannot be		

[35] Pennon, 'Cost Change Submission – asset health – technical annex: Northcombe WTW', May 2026, p.9

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	managed through maintenance alone. The risks identified, including loss of supply, structural failure and water quality impacts, are material and increasing.[36] However, while the company demonstrates a credible asset health need, the key issue for this assessment is whether the proposed investment can be demonstrated as additional to activities already funded through PR24 allowances and sufficiently discrete to be assessed through the cost change process. The submission describes the proposed RGF replacement as part of a wider £36.3 million redevelopment involving replacement of multiple treatment processes and assets, delivered across cost change, enhancement and base funding streams.[37] The company explicitly states that the proposed investment forms part of a full WTW replacement, that the preferred option is a coordinated site rebuild replacing multiple asset groups, and that the scope overlaps with existing enhancement expenditure and wider base expenditure in the 2025-30 and 2030-35 periods.[38] While the company states that costs have been allocated between funding sources, it has not provided sufficient evidence to demonstrate that the RGF replacement constitutes a discrete and incremental investment need that can be clearly assessed through the cost change process, rather		

36 Pennon, 'Cost Change Submission – asset health – technical annex: Bratton Fleming WTW', May 2026, pp. 6-8, p. 10
37 Pennon, 'Cost Change Submission – asset health – technical annex: Bratton Fleming WTW', May 2026, p. 3, p. 5
38 Pennon, 'Cost Change Submission – asset health – technical annex: Bratton Fleming WTW', May 2026, p. 3, p. 12, p. 16

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	than forming part of the wider redevelopment programme.[39] [40] Accordingly, the company has not met the requirements of the Need for step change in investment criterion.[41]		
Best option for customers	**Decision summary – Pass with significant concerns** The company demonstrates that replacement of the FloFilter assets is required at both sites. However, while Northcombe provides sufficient and convincing evidence to demonstrate that the proposed intervention represents the best option for customers, significant concerns remain regarding whether the Bratton Fleming proposal represents the best option when considered as a standalone cost change process investment, given its integration within a wider treatment works redevelopment programme. **Company evidence** - The company presents structured optioneering for both Northcombe and Bratton Fleming WTW, considering a range of interventions including continued maintenance, asset replacement and wider treatment works solutions. [42] [43] For Northcombe, the company evaluates options including do nothing, increased maintenance, broader site replacement, new build alternatives and in-situ replacement of the existing FloFilters. It provides a cost–benefit analysis demonstrating that replacement of the existing FloFilters delivers the highest net benefit and benefit-to-cost ratio when compared to alternative interventions.[44]	**Northcombe – Pass;** **Bratton Fleming – Pass - Significant concerns**	**Northcombe – 0%** **Bratton Fleming – 20%**

[39] Pennon, 'Cost Change Submission – asset health – technical annex: Bratton Fleming WTW', May 2026, p. 3, p. 5, p. 12
[40] Pennon, 'Query Response, REF: OFW-SBB-CCP-004', June 2026, pp. 15-16
[41] Pennon, 'Query Response, REF: OFW-SBB-CCP-004', June 2026, pp.15-16
[42] Pennon, 'Cost Change Submission – asset health – technical annex: Northcombe WTW', May 2026, pp.10-11
[43] Pennon, 'Cost Change Submission – asset health – technical annex: Bratton Fleming WTW', May 2026, pp.10-12
[44] Pennon, 'Cost Change Submission – asset health – technical annex: Northcombe WTW', May 2026, p.14

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	For Bratton Fleming, the company concludes that construction of a new WTW on a new site is the preferred long-term solution, avoiding constraints associated with the existing site and enabling full renewal of treatment assets. The proposed RGF replacement forms part of this wider redevelopment scheme which also delivers treatment enhancements and site renewal benefits.[45] [46] **Our assessment** **Northcombe** - The company evidences a clear and structured optioneering process, with alternative interventions considered and the logic presented for rejection of these options, on the basis of either insufficient risk reduction or disproportionate cost. In particular, increased maintenance is shown to deliver limited improvement in risk position while retaining exposure to failure, whereas broader replacement or new build options are shown to be significantly more costly than required to address the identified need.[47] The preferred option is appropriately targeted at the primary constraint on site performance (the failing FloFilters) and provides a proportionate intervention that directly addresses the underlying deterioration mechanisms. The use of a formal cost–benefit framework, aligned to PR24 guidance, provides additional assurance that the selected option represents value for customers.[48]		

[45] Pennon, 'Cost Change Submission – asset health – technical annex: Bratton Fleming WTW', May 2026, p. 3, p. 12
[46] Pennon, 'Cost Change Submission – asset health', May 2026, pp.27-28
[47] Pennon, 'Cost Change Submission – asset health – technical annex: Northcombe WTW', May 2026, pp.10-11
[48] Pennon, 'Cost Change Submission – asset health – technical annex: Northcombe WTW', May 2026, p.14

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	This is broadly consistent with the company's wider asset health strategy, which identifies targeted replacement of high-risk treatment assets as the most efficient intervention where deterioration has progressed beyond the point at which repair provides value.[49] **Bratton Fleming**-While the company provides evidence that a full site rebuild may represent the optimal long-term solution for the WTW as a whole, it does not clearly demonstrate that the RGF replacement element represents the most appropriate option when considered separately from the wider redevelopment programme. Because the preferred solution is intrinsically linked to a broader scheme that replaces multiple asset groups and delivers enhancement outputs, it is not possible to determine whether the RGF investment itself represents the best option as a standalone CCP intervention. This is consistent with the company's wider asset health submission, which describes treatment works renewal as inherently integrated at a site level[50], but does not provide sufficient disaggregation to demonstrate that the RGF element represents a standalone option. While the company notes that scope and costs can be allocated across funding streams[51], this does not address whether the RGF intervention itself represents the best option when considered independently.		

[49] Pennon, 'Cost Change Submission – asset health', May 2026, pp.27-28
[50] Pennon, 'Cost Change Submission – asset health', May 2026, pp.27-28
[51] Pennon, 'Query Response, REF: OFW-SBB-CCP-004', June 2026, p.15

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	This lack of clarity is further highlighted by the company's PR24 business plan[52], which describes a future treatment solution based on modern technologies including ceramic membranes and advanced treatment processes. The submission does not explain how the proposed RGF replacement aligns with, or replaces, this previously articulated strategy. In the absence of a clear narrative linking the asset health proposal to the wider treatment strategy, it is not possible to conclude that the proposed intervention represents the best option for customers. As we have rejected the need case, there is no associated challenge to make at Bratton Fleming, but had the need case been passed, on the basis of the material presented, the decision would have been to apply a 20% challenge, for significant concerns on best option.		
Robust and efficient costs	**Decision summary – Pass.** The company provides sufficient and convincing evidence to demonstrate that costs are broadly robust and efficient for the Northcombe investment. However, significant concerns remain regarding the robustness, separability and incrementality of costs associated with the Bratton Fleming proposal. **Company evidence** - The company provides bottom-up cost estimates for both schemes, supported by defined scopes and detailed cost breakdowns. For Northcombe, the company estimates costs of £17.6 million covering enabling works, removal of existing assets, civil works and MEICA installation.[53] It states that costs are derived from internal cost models informed by outturn data and industry benchmarking and are aligned to a	**Pass**	**0%**

[52] Pennon, 'Enhancement Business Case, Strategic Water Treatment Works', October 2023, p. 7
[53] Pennon, 'Cost Change Submission – asset health – technical annex: Northcombe WTW', May 2026, p. 12

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	clearly defined scope related to replacement of the FloFilters and associated infrastructure.[54] The company's approach is consistent with its PR24 methodology for estimating efficient delivery costs across asset classes based on historical outturn data, standardised cost models and portfolio-level planning assumptions.[55] For Bratton Fleming, the company provides a bottom-up estimate of £5.89 million for the RGF component, stating that this represents approximately 16% of a wider £36 million site redevelopment.[56] The company states that RGF costs include civils and MEICA associated with this asset class, while other elements of the wider redevelopment (e.g. buildings and wider site works) are funded through base and enhancement allowances.[57] **Our assessment** **Northcombe**-The company provides a clear and transparent breakdown of costs, which is directly linked to a well-defined and bounded scope of works. This provides confidence that the costs presented reflect the activities required to deliver the proposed intervention.[58] A consistent and established methodology for cost estimation is applied. While additional benchmarking would provide further assurance, the information		

[54] Pennon, 'Cost Change Submission – asset health – technical annex: Northcombe WTW', May 2026, p. 12
[55] Pennon, 'Cost Change Submission – asset health', May 2026, pp. 22-23
[56] Pennon, 'Cost Change Submission – asset health – technical annex: Bratton Fleming WTW', May 2026, p. 3, p. 5
[57] Pennon, 'Query Response, REF: OFW-SBB-CCP-004', June 2026, p. 15
[58] Pennon, 'Cost Change Submission – asset health – technical annex: Northcombe WTW', May 2026, p. 12

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	supplied is sufficient and convincing to demonstrate that costs are broadly robust and efficient. **Bratton Fleming**-The company has not provided sufficiently clear evidence to demonstrate that costs are fully separable and discrete from the wider rebuild. The submission explicitly states that the scheme forms part of an integrated site redevelopment, with overlapping scope across base, enhancement and cost change funding streams.[59] As this issue has been dealt with in assessment of Need, on this component we do not consider further challenge. The company states that costs were developed using bills of quantities and an allocation of contractor indirects (e.g. civils, enabling works) [60], which is an appropriate approach where the scheme represents an additional element within a wider programme of works.		
Customer protection	**Decision summary – Some gaps** The company provides sufficient and convincing evidence to demonstrate that customers will be protected if the company under-delivers against the requested additional investment, however, it does not provide any protection for the overlapping PR24 implicit allowance. **Company evidence**-The company proposes a Price Control Deliverable (PCD) that covers the proposed additional investment. This covers both the Northcombe and Bratton Fleming schemes, with separate unit rates aligned to the cost of delivery. The company does not propose a Price Control Deliverable (PCD) for activities delivered by existing PR24 base expenditure allowances.	**Some gaps**	

[59] Pennon, 'Cost Change Submission – asset health – technical annex: Bratton Fleming WTW', May 2026, p. 12
[60] Pennon, 'Enhancement Business Case, Strategic Water Treatment Works', October 2023, p. 7

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	Our assessment-The absence of a PCD covering base allowances means that customers are not protected in the event that the company does not deliver its activities associated with base allowances. **Decision**-To safeguard that activities associated with base allowances are delivered, a Base PCD will be applied to the 'what base buys' estimate provided by the company in the 'Need for Investment' gate of their submission. Further detail on the proposed PCD can be found 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 that both investments can be delivered within the 2025-30 period. The Northcombe scheme benefits from being a discrete asset replacement project with a clearly defined scope, while the Bratton Fleming investment forms part of a wider redevelopment programme. **Company evidence**-The company provides a detailed delivery approach for both schemes. For Northcombe, this includes use of its 2025-30 delivery alliance, sequencing of works to maintain site operation, and a phased construction programme.[61] For Bratton Fleming, the company sets out the delivery of the proposed investment as part of a wider WTW redevelopment programme, with defined outputs and a planned	**Adequate**	

[61] Pennon, 'Cost Change Submission – asset health – technical annex: Northcombe WTW', May 2026, p. 5, p. 15.

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	completion date of 31 March 2030.[62] [63] The company explains that delivery will be coordinated alongside wider redevelopment activities and identifies the allocation of scope and costs across cost change, base and enhancement funding streams.[64] [65] **Our assessment** **Northcombe**- The proposed intervention is a discrete asset replacement scheme with a clearly defined scope, which reduces delivery complexity relative to wider treatment works redevelopment programmes. The company demonstrates a credible delivery strategy, including maintaining approximately 90% of treatment capacity during construction through staged replacement of treatment units.[66] The company also identifies practical delivery considerations such as site access, construction sequencing and seasonal planning, which supports confidence that risks to delivery have been considered and can be managed effectively. **Bratton Fleming** -The company provides a credible delivery plan for the wider redevelopment programme and identifies the activities associated with the proposed RGF		

[62] Pennon, 'Enhancement Business Case, Strategic Water Treatment Works', October 2023, p. 4, p.10, p. 24.
[63] Pennon, 'Cost Change Submission – asset health – technical annex: Bratton Fleming WTW', May 2026, pp. 4-5, p. 16.
[64] Pennon, 'Cost Change Submission – asset health – technical annex: Bratton Fleming WTW', May 2026, p. 5, p. 12.
[65] Pennon, 'Query Response, REF: OFW-SBB-CCP-004', June 2026, pp. 15-16.
[66] Pennon, 'Cost Change Submission – asset health – technical annex: Northcombe WTW', May 2026, p. 15.

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	investment. The proposed works are clearly linked to a broader site redevelopment that is already being planned and delivered through multiple funding streams.[67] [68] The company has identified a programme of works, delivery approach and completion timetable that provide sufficient confidence that the scheme can be delivered within the 2025-30 period.[69] The company provides sufficient and convincing evidence to demonstrate that both proposed investments are deliverable within the 2025-30 period.		

3.1.4 Rapid Gravity Filters (Bristol area)

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
Summary of request	The company is seeking £21.9 millon (£9.4 million Stowey and £12.5 million Littleton) of cost change funding for renewal of Rapid Gravity Filters (RGFs) and associated treated water storage at Stowey and Littleton Water Treatment Works (WTW). The two sites formed part of Bristol Water's PR24 Enhancement case submission "Strategic Water Treatment Works programme".[70] The company states that the proposed		

[67] Pennon, 'Cost Change Submission – asset health – technical annex: Bratton Fleming WTW', May 2026, pp. 4-5, p. 16.
[68] Pennon, 'Query Response, REF: OFW-SBB-CCP-004', June 2026, pp. 15-16.
[69] Pennon, 'Cost Change Submission – asset health – technical annex: Bratton Fleming WTW', May 2026, pp. 4-5, p. 16.
[70] Pennon, 'Enhancement Business Case, Strategic Water Treatment Works', October 2023, p. 11, pp. 23-24

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	investments address deteriorating treatment and storage assets which present increasing risks to water quality, operational resilience and reliability of supply.[71] [72]		
Need for a step change in investment	**Decision summary – Fail** The company provides convincing evidence that the existing RGFs and associated storage assets at both Stowey and Littleton WTWs are deteriorating and present increasing risks to water quality, operational resilience and supply reliability. However, the company has not provided sufficient and convincing evidence to demonstrate that the proposed investments are additional to activities already assessed through PR24 funding allowances and therefore has not demonstrated that additional funding through the cost change process is justified. The estimate for 'what base buys' is low for this work. In order to protect customers from paying twice, we recover cost change allowances where existing base allowances are sufficient. If we were to amend this general approach, we would look to implement a targeted customer protection for any allowance in light of the concern regarding 'what base buys'. **Company evidence** -The company explains that the RGFs and associated storage assets at both sites were constructed in the 1950s and 1960s and are exhibiting	**Fail**	**100%**

[71] Pennon, 'Cost Change Submission – asset health – technical annex: Littleton WTW', May 2026, p. 3, p. 6, p. 20
[72] Pennon, 'Cost Change Submission – asset health - technical annex: Stowey WTW', May 2026, p. 3, pp. 6-10

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	significant deterioration, including cracking, leakage, concrete degradation and biological growth. [73] [74] The company also explains that both sites form part of the wider Strategic Water Treatment Works investment programme. At Stowey WTW, the company states that the proposed asset health investment sits outside the 2025-30 enhancement programme.[75] [76] At Littleton WTW the company states that the proposal accelerates activity previously planned as base maintenance investment during the 2030-35 period into the 2025-30 period.[77] **Our assessment** -The company's view of 'what base buys' (implicit allowance) across its asset proposals is lower than a view of what base buys based on historical sector expenditure rates.[78] While the company's submission references DWI support, no formal support evidence is provided. We request that the company provides this with its draft determination response.[79] We are not convinced that there is a sector-wide health issue for RGFs. [80] The company provides clear evidence that the RGFs and associated storage assets at		

[73] Pennon, 'Cost Change Submission – asset health - technical annex: Stowey WTW', May 2026, p. 3, pp. 6-10
[74] Pennon, 'Cost Change Submission – asset health – technical annex: Littleton WTW', May 2026, pp. 6-10
[75] Pennon, 'Cost Change Submission – asset health - technical annex: Stowey WTW', May 2026, pp. 5-6
[76] Pennon, 'Query Response, REF: OFW-SBB-CCP-004', June 2026, pp. 11-14
[77] Pennon, 'Cost Change Submission – asset health – technical annex: Littleton WTW', May 2026, p. 3, p. 6, p. 20
[78] Our assessment and further detail can be found in the Cost Change Draft Determinations 2026 – Asset health cross cutting issues appendix
[79] Pennon, 'Cost Change Submission – asset health', May 2026, p.30
[80] 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)
	both sites are ageing and deteriorating and that failure could adversely affect water quality, operational resilience and security of supply. However, in line with our approach at PR24, we assess the evidence provided by the company to determine whether a step change in investment is needed. At Stowey, the company's PR24 Strategic Water Treatment Works enhancement case explicitly included reconstruction of the WTW with replacement RGFs within the preferred solution. The company described the proposal as an integrated programme delivering water quality, resilience and capital maintenance benefits.[81] While the company states that the Cost Change Process (CCP) proposal sits outside the enhancement scheme, [82] it has not provided sufficient evidence to demonstrate why the proposed investment should be considered separate from the wider reconstruction programme already proposed through PR24.[83] At Littleton, the company explicitly states that replacement of the deteriorating assets was previously planned as base maintenance during 2030-35 and that the current proposal seeks to accelerate that activity into the 2025-30 period. Due to the scale and complexity of the scheme, delivery was profiled over seven years, extending into the 2030-35 period. The PR24 enhancement case therefore presents delivery during 2030-35 as an intentional feature of the proposed programme, rather than an omission of investment. The enhancement case also identified a substantial		

[81] Pennon, 'Enhancement Business Case, Strategic Water Treatment Works', October 2023, p. 11, p. 24.
[82] Pennon, 'Query Response, REF: OFW-SBB-CCP-004', June 2026, pp. 11-14.
[83] Pennon, 'Enhancement Business Case, Strategic Water Treatment Works', October 2023, p. 11, pp. 23-24.

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	base maintenance contribution during 2030-35 associated with the site rebuild.[84] While the company provides evidence that earlier delivery may reduce risk, it has not demonstrated why acceleration creates a distinct and additional investment need eligible for CCP funding. Nor has it quantified the incremental customer benefits associated specifically with bringing the investment forward. Accordingly, the company has not provided sufficient or convincing evidence to demonstrate that the proposed investment at either site represents an additional investment need beyond activities already envisaged through the PR24 process.		
Best option for customers	**Decision summary – significant concerns** The company do not provide sufficient and convincing evidence that alternative options have been fully considered and assessed. **Company evidence** - The company states that replacement of the deteriorating RGFs and associated storage assets represents the preferred intervention to address asset condition risks and maintain water quality and operational resilience. The company explains that delivery alongside wider Strategic Water Treatment Works programmes would improve efficiency and reduce delivery risks. [85] [86] [87] [88] The company outlines cost benefit assessment on increased maintenance and asset/process renewal, versus the "do nothing" quantitively.[89]	**Significant Concerns**	**20%**

[84] Pennon, 'Enhancement Business Case, Strategic Water Treatment Works', October 2023, p. 7, p. 24.
[85] Pennon, 'Cost Change Submission – asset health - technical annex: Stowey WTW85, May 2026, p.3, p.6, p.10, p.13, p.17
[86] Pennon, 'Query Response, REF: OFW-SBB-CCP-004', June 2026, pp.11-14
[87] Pennon, 'Cost Change Submission – asset health – technical annex: Littleton WTW', May 2026, pp. 12-19
[88] Pennon, 'Enhancement Business Case, Strategic Water Treatment Works', October 2023, pp. 20-24
[89] Pennon, 'Cost Change Submission – asset health – technical annex: Littleton WTW', May 2026, pp. 18-19. Pennon, 'Cost Change Submission – asset health - technical annex: Stowey WTW, May 2026, pp.14-15

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	Our assessment - The company provides evidence that renewal of the deteriorating assets would address the identified asset health risks and support continued operation of both treatment works. However, significant concerns remain regarding whether the proposed CCP investment can be assessed independently from the wider Strategic Water Treatment Works programmes already proposed through PR24. At Stowey WTW, replacement RGFs already formed part of the preferred reconstruction scheme presented through PR24.[90] At Littleton WTW, the PR24 enhancement case described a phased investment programme spanning the 2025-30 and 2030-35 periods and identified redevelopment extending into the 2030-35 period as an intentional feature of the preferred delivery strategy. [91] At both sites, the company presents quantitative cost-benefit analysis of selected options. However, it is not clear that the "do nothing" reference is a genuine comparator, as the do nothing is for no activity, whereas there are works funded through other investment streams. In addition, the company do not give a detailed explanation as to why they reject the lower cost and higher benefit to cost ratio of maintenance, citing that it is their "opinion that the higher upfront cost is more than worth the additional net benefit value this option provides over the alternative".[92] At Littleton WTW, the distinction in the analysis of "targeted" versus "full renewal" in the		

[90] Pennon, 'Enhancement Business Case, Strategic Water Treatment Works', October 2023, p.7, p.11, pp. 23-24
[91] Pennon, 'Enhancement Business Case, Strategic Water Treatment Works', October 2023, p. 7
[92] Pennon, 'Cost Change Submission – asset health – technical annex: Littleton WTW', May 2026, p. 19; Pennon, 'Cost Change Submission – asset health - technical annex: Stowey WTW', May 2026, p. 15

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	quantified cost benefit appraisal is not clear, where targeted appears to either have been omitted or assumed equivalent to full. The company has therefore not provided sufficient and convincing evidence that alternative options have been fully considered and assessed. As we have rejected the Need for a step change in investment case, no best option challenge is applied. However, had the Need case been passed, the evidence presented would have resulted in a 20% challenge for significant concerns relating to Best option.		
Robust and efficient costs	**Decision summary – significant concerns** The company has not provided sufficient or convincing evidence to demonstrate that the costs that the costs are efficient. **Company evidence** - The company provides cost estimates totalling £21.9 million for replacement of RGFs and associated storage at Stowey and Littleton WTWs. It states that these costs are separate from the wider enhancement programmes and that delivery alongside existing schemes would create efficiencies through shared design, mobilisation and construction activities. [93] [94] [95] **Our assessment** - The company has provided cost information for the proposed investment. However, significant concerns remain regarding whether the proposed	**Significant Concerns**	**20%**

[93] Pennon, 'Cost Change Submission – asset health – technical annex: Littleton WTW', May 2026, p. 3. pp. 15-20
[94] Pennon, 'Query Response, REF: OFW-SBB-CCP-004', June 2026, pp. 11-14
[95] Pennon, 'Cost Change Submission – asset health - technical annex: Stowey WTW', May 2026, p. 3, pp. 5-6, p. 11

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	costs are fully incremental to activities already contemplated through PR24 allowances. For both sites, the evidence indicates overlap with schemes previously identified through the company's PR24 Strategic Water Treatment Works programme. At Stowey WTW, replacement RGFs formed part of the wider reconstruction scheme already proposed through PR24. At Littleton, the proposed expenditure represents acceleration of activity previously planned for the 2030-35 period. [96] The company has not provided sufficient or convincing evidence to demonstrate that the costs represent wholly additional expenditure rather than costs associated with investment activity already envisaged through existing funding allowances. The company states that the proposed investment would reduce future maintenance requirements and provide lower whole-life costs when compared with continued maintenance and refurbishment. However, the submission does not quantify any avoided operating expenditure or maintenance savings associated with asset replacement. As a result, it is not possible to assess the extent to which future cost reductions may offset the requested funding. In future, the company should identify and quantify any impact of additional investment on OPEX expenditure (where relevant) and consider whether this should be netted from the funding request.		

[96] Pennon, 'Enhancement Business Case, Strategic Water Treatment Works', October 2023, p. 7, p. 11, p, 24, p. 31

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	As we have rejected the need for a step change in investment case, no cost challenge is applied. However, based on the material presented, had the Need case been passed, we would have applied a 20% challenge for significant concerns relating to the robustness, separability and incrementality of costs.		
Customer protection	**Decision – Some gaps** The company provides sufficient and convincing evidence that customers will be protected if the company under-delivers against the requested additional investment, however, does not provide any protection for the PR24 implicit allowance. We have therefore applied a PCD to the 'what base buys' estimate. **Company evidence** -The company does not propose a Price Control Deliverable (PCD) for activities delivered by existing PR24 base expenditure allowances. The company proposes a PCD that covers the proposed additional investment. This covers both the Littleton and Stowey Water Treatment Works, with separate unit rates aligned to the cost of delivery. **Our assessment** - The absence of a PCD covering base allowances means that customers are not protected in the event that the company does not deliver its activities associated with base allowances. **Decision** - To safeguard that activities associated with base allowances are delivered, a Base PCD will be applied to the 'what base buys' estimate provided by the company in the 'Need for Investment' gate of the submission.	**Some gaps**	

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	Further detail on the proposed PCD can be found in the Cost Change Draft Determinations 2026 – Price control deliverables appendix.		
Investment delivery plan	**Decision summary – Adequate**. The company provides a credible high-level delivery strategy. **Company evidence** - The company proposes to deliver the works at both Stowey and Littleton alongside wider Strategic Water Treatment Works programmes already planned during the 2025-30 period. It states that integration with existing programmes would improve delivery efficiency, reduce mobilisation costs and minimise operational disruption. The company identifies typical delivery dependencies including design development, planning approvals, procurement and construction sequencing within operational treatment works.[97] [98] **Our assessment** - The company provides a high-level delivery approach and explains how the proposed works could be integrated with wider investment already planned at each site.[99] [100]	**Adequate**	

[97] Pennon, 'Cost Change Submission – asset health - technical annex: Stowey WTW', May 2026, pp. 15-17
[98] Pennon, 'Cost Change Submission – asset health – technical annex: Littleton WTW', May 2026, p. 3. pp. 19-20
[99] Pennon, 'Cost Change Submission – asset health - technical annex: Stowey WTW', May 2026, pp. 15-17
[100] Pennon, 'Cost Change Submission – asset health – technical annex: Littleton WTW', May 2026, p. 3. pp. 19-20

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	Decision - The company provides a credible high-level delivery strategy.		

3.1.5 Settlement Tanks

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
Summary of request	South West Water requests additional funding for one wastewater treatment works scheme. At Carnon Downs Wastewater Treatment Works (WwTW), the company has requested £16.67 million for the full relocation and rebuild of the works at an alternative site due to the deteriorated condition of settlement tanks, trickle filters and associated civils.[101]		
Need for a step change in investment	**Decision – Partial Pass.** The company provides sufficient and convincing evidence to demonstrate that part of the proposed investment meets the 'Need for step change in investment' criteria, but we consider that a proportion of the proposed investment relates to out of scope items and therefore make an adjustment to remove these items.	**Partial Pass**	Bespoke adjustment to remove scope and allow

[101] South West Water, 'L3 - Cost Change Submission 2026 - Technical Business Case - Carnon Downs WwTW', May 2026, p.3

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	The company's estimate of 'what base buys' is low for this work. [102] In order to protect customers from paying twice, our general approach is to recover cost change allowances where existing base allowances turn out to be sufficient. If we were to amend this approach, we would look to implement a targeted customer protection for this allowance in light of the concern regarding 'what base buys'. **Company evidence** -The company refers to structural assessments from 2007, 2016, 2018 and 2021 identifying persistent cracking, movement and loss of integrity across trickle filters, settlement tanks and retaining structures.[103] It states that the site is affected by ongoing subsidence and that leakage of untreated and partially treated effluent has been present for many years. The company also explains that temporary submerged aerated filter units have been used since 2012 to support treatment performance and that two operators currently attend the site daily, with additional weekend attendance, to monitor and manage risk.[104] The submission includes site maintenance expenditure and activity information indicating that maintenance complexity and frequency have increased over time. It also provides examples of recent reactive repair costs for concrete defects and temporary desludge arrangements.[105] In addition, the company refers to an Environment Agency inspection in		£5.368 million (settlement tank) and £3.432 million (trickle filter) proportion of £8.8 million Option 2 equivalent

[102] Our assessment and further detail can be found in Cost Change Draft Determinations 2026 – Asset health cross cutting issues appendix
[103] South West Water, 'L3 - Cost Change Submission 2026 - Technical Business Case - Carnon Downs WwTW', May 2026, p.19
[104] South West Water, 'L3 - Cost Change Submission 2026 - Technical Business Case - Carnon Downs WwTW', May 2026, p.7, p.19
[105] South West Water, 'L3 - Cost Change Submission 2026 - Technical Business Case - Carnon Downs WwTW', May 2026, p.9

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	March 2025 recording failing infrastructure, significant health and safety risks and environmental risks from seepage of effluent to ground.[106] **Our assessment** - The company has submitted sufficient and convincing evidence to demonstrate that a step change in investment is needed. [107] The company does not rely on a single source of evidence, but instead triangulates structural assessments, operational mitigation, maintenance trends, and inspection findings. The evidence demonstrates that deterioration is systemic rather than localized and that the risks are not confined to one asset or one failure mode. The company states the pattern of deterioration is linked to geotechnical conditions affecting the site more broadly.[108] The company's proposed option involves constructing a new plant on an alternative site. In addition to replacing the priority assets this also requires replacement of inlet works, storm tanks and other structures which we consider to be outside the scope of the priority assets.[109] This is further discussed under best option for customers.		

[106] South West Water, 'L3 - Cost Change Submission 2026 - Technical Business Case - Carnon Downs WwTW', May 2026, pp.10-11
[107] Further detail can be found in Cost Change Draft Determinations 2026 – Asset health cross cutting issues appendix
[108] South West Water, 'L3 - Cost Change Submission 2026 - Technical Business Case - Carnon Downs WwTW', May 2026, p.19
[109] South West Water, 'L3 - Cost Change Submission 2026 - Technical Business Case - Carnon Downs WwTW', May 2026, p.15

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	The company's view of 'what base buys' (implicit allowance) across its asset proposals is lower than a view of what base buys based on historical sector expenditure rates. [110] **Decision**- The company provides sufficient and convincing evidence to demonstrate a need for investment, but includes items in its preferred option that are considered to be outside the scope of the cost change process, and so we apply a partial pass and remove the out of scope items. In order to achieve a pass at Final Determination, the company must provide sufficient and convincing evidence to: • justify the scope of the full site relocation option. • justify why adjacent assets beyond the priority assets should be funded. If the company is unable to provide this evidence, and considers that there are wider benefits in progressing the site relocation option beyond those targeted through the cost change process, it could fund the additional cost through its existing base allowances.		
Best option for customers	**Decision – Partial pass.** The company demonstrates that significant intervention is needed but does not provide sufficient and convincing evidence to demonstrate that full relocation and rebuild of the works is the best option for customers.	**Partial Pass**	

[110] 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)
	Company evidence -The company considers three options: do minimum; replace filters and associated plant on the existing site; and construct a new process plant on an alternative site followed by decommissioning of the existing works[111]. It rejects the do-minimum option as unacceptable, rejects asset replacement within the current site based on spatial constraints and inability to maintain treatment continuity, and selects full relocation and rebuild as the preferred option[112]. The company states that a new-site solution provides the lowest whole-life cost, safer construction, reduced pollution risk, and better long-term resilience[113]. It also includes a cost-benefit assessment comparing the do-minimum case, replacement at the existing site and construction of a new works, although both investment options are shown to have negative net benefits[114]. **Our assessment** -The company has identified credible risks associated with continued operation of the site and that a do-minimum approach is not acceptable. The company has also identified material constraints on the existing site. However, the evidence provided fails to demonstrate that full relocation and rebuild of the works is the best value option for customers. In particular, the rejection of replacement at the current site is explained largely in qualitative terms. The submission does not provide sufficient engineering, cost or programme evidence to show that all credible in-situ or lower-cost asset replacement		

[111] South West Water, 'L3 - Cost Change Submission 2026 - Technical Business Case - Carnon Downs WwTW', May 2026, p.13
[112] South West Water, 'L3 - Cost Change Submission 2026 - Technical Business Case - Carnon Downs WwTW', May 2026, p.14
[113] South West Water, 'L3 - Cost Change Submission 2026 - Technical Business Case - Carnon Downs WwTW', May 2026, p.19
[114] South West Water, 'L3 - Cost Change Submission 2026 - Technical Business Case - Carnon Downs WwTW', May 2026, p.17

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	configurations have been exhausted. The cost-benefit appraisal also does not provide strong support for the preferred option, as both principal investment options have negative net benefits and the higher-cost new-site option does not clearly emerge as the superior value-for-money case. These concerns were queried with the company. The query response failed to address Ofwat's concerns. **Decision**-This cost change process is intended to address asset health concerns associated with priority assets, not site wide issues. The company does not sufficiently demonstrate why replacement of adjacent assets, which are included in the site relocation option, should be funded by this cost change process. It is proposed that funding associated with the priority asset only is allowed, based on the value provided for Option 2 - replacement. As we have made an adjustment to 'need' for items outside the scope of the cost change process, we make no further adjustment under 'best option for customers.'		
Robust and efficient costs	**Decision – Conditional Pass.** 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 that costs are efficient across the programme, and further evidence is required to demonstrate that costs are consistent with efficient delivery assumptions. **Company evidence** - The submission applies a methodology developed by a third party using historical delivery data, cost models and on-cost models informed by previously delivered interventions. Direct costs are derived using historical unit cost models, while	**Conditional Pass**	**10%**

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	indirect costs, overheads, and optimism bias are applied through separate on-cost methodologies. The submission states that the methodology is consistent with that used to develop PR24 business plan costs and has been subject to review by third-party consultants. The submission includes scheme-level cost breakdowns and supporting engineering descriptions for Carnon Downs WwTW (£16.6 million). The submission does not include any internal or external benchmarking and states that efficiency is demonstrated through the robustness of the methodology, the use of historical delivery data, and consistency with the methodology applied at PR24. **Our assessment** -The company provides sufficient and convincing evidence to demonstrate that the costing methodology is robust. The methodology is informed by historical delivery data, established cost models and explicit optimism bias, which is consistent with Ofwat's expectation that cost estimates should be informed by historical delivery experience and developed using a transparent methodology. The submission also demonstrates that direct costs, indirect costs, overheads and risk allowances have been incorporated within the cost estimates. The submission also provides cost breakdowns for the scheme in the technical appendices. For Carnon Downs WwTW the supporting descriptions are limited and several cost categories are supported by only brief commentary or no commentary at all. This reduces transparency regarding the principal cost drivers and limits the ability to assess efficiency.		

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	The submission states that efficiency is demonstrated through the use of a robust methodology and the application of the same approach used to develop PR24 business plan costs. However, no external benchmarking evidence has been provided for the scheme, and the submission does not provide alternative evidence demonstrating that costs are consistent with efficient delivery assumptions, such as supplier quote validation, independent benchmarking or third-party assessment of cost efficiency. While the submission explains that suitable external benchmarks were not available, the absence of benchmarking means that efficiency has not been independently tested. Taken together, the submission demonstrates that costs have been developed using a robust methodology. However, the absence of external benchmarking, lack of alternative efficiency validation and limited transparency mean that the submission does not provide sufficient and convincing evidence that costs are efficient across the programme. To achieve a pass at final determination, the company must provide sufficient and convincing evidence to: • Demonstrate the efficiency of the proposed costs. This can be through means such as external benchmarking, supplier quotes, independent assurance of cost efficiency or other appropriate comparator evidence • Demonstrate that the proposed costs are consistent with efficient delivery of comparable interventions		

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	If this evidence is not provided, we may apply a 10% cost efficiency challenge at final determination.		
Customer protection	**Decision – Some gaps.** The company provides sufficient and convincing evidence to demonstrate that customers will be protected if the company under-delivers against the requested additional investment, however, it does not provide any protection for the PR24 implicit allowance. We have therefore applied a PCD to the 'what base buys' estimate. **Company evidence** - The company does not propose a Price Control Deliverable (PCD) for activities delivered by existing PR24 base expenditure allowances. The company proposes a PCD that covers the proposed additional investment. **Our assessment** - The absence of a PCD covering base allowances means that customers are not protected in the event that the company does not deliver its activities associated with base allowances. To safeguard that activities associated with base allowances are delivered, a Base PCD will be applied to the 'what base buys' estimate provided by the company in the 'Need for Investment' gate of the submission. Further detail on the proposed PCD can be found in the Cost Change Draft Determinations 2026 – Price control deliverables appendix.	**Some gaps**	
Investment delivery plan	**Decision – Adequate** The company provides sufficient and convincing evidence to demonstrate that a replacement scheme could be deliverable during the 2025-2030 period.	**Adequate**	

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
	Company evidence -The company proposes delivery through the Amplify alliance and sets out a phased programme covering development, enabling works, new treatment assets, pumping, storm assets, buildings, demolition of the existing works and commissioning.[115] It states that a preferred site has already been identified and that initial planning discussions have taken place.[116] **Our assessment**-The delivery logic benefits from offline construction at an alternative location, which would reduce operational disruption if delivered. However, relocation also introduces additional dependencies, including planning consent, land matters, statutory approvals and wider programme risk, for which the submission provides limited evidence at this stage. However, given the scale or the request is limited to one scheme, we consider that the company has provided sufficient and convincing evidence that the scheme is deliverable.		

[115] South West Water, 'L3 - Cost Change Submission 2026 - Technical Business Case - Carnon Downs WwTW', May 2026, p.18
[116] South West Water, 'L3 - Cost Change Submission 2026 - Technical Business Case - Carnon Downs WwTW', May 2026, p.18

3.1.6 Trickle filters

South West Water requests additional funding for two wastewater treatment works schemes. At Helston Wastewater Treatment Works (WwTW), the company has requested £6.6 million for the replacement of deteriorated trickle filters with a new activated sludge process. At Carnon Downs WwTW, the company has requested £16.7 million for the full relocation and rebuild of the works at an alternative site. Carnon Downs WwTW is associated with both trickle filters and settlement tanks, however to avoid duplication the assessment for Carnon Downs is provided below the settlement tanks heading only.

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
Summary of request	At Helston Wastewater Treatment Works (WwTW), South West Water has requested £6.6 million for the replacement of deteriorated trickle filters with a new activated sludge process.		
Need for a step change in investment	**Decision – Pass.** The company provides sufficient and convincing evidence to demonstrate that the proposed investment meets the 'Need for a step change in investment' criteria for additional asset health investment. The company's estimate of 'what base buys' is low for this work. [117] In order to protect customers from paying twice, our general approach is to recover cost change allowances where existing base allowances turn out to be sufficient. If we were to amend this approach,	**Pass**	**0%**

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

	we would look to implement a targeted customer protection for this allowance in light of the concern regarding 'what base buys'. **Company evidence**–The company provides asset-specific evidence that the biological treatment process at Helston WwTW has materially deteriorated. Three circular filters are described as structurally failing, with two already isolated from service[118]. The remaining rectangular filter is reported to be in poor condition, with collapsed underdrains, wall movement and repeated derailment and cable failures associated with the travelling distributor[119]. The company includes photographs, site inspections, reactive work records and commentary showing that treatment performance is no longer resilient and that the site is reliant on three temporary submerged aerated filter units, installed around 2007, to maintain permit compliance [120]. The company also provides historical maintenance expenditure and maintenance frequency summaries showing increasing intervention over time. It states that the circular filters date from around the 1930s, that routine maintenance can no longer ensure reliability and that the current operating arrangement is creating environmental, health and safety and operational risks [121]. In addition, the company explains that future pressures are likely to increase, citing around 30% forecast population growth in the wider catchment by 2050 and future Total Nitrogen requirements.[122]		

[118] South West Water, 'L3 - Cost Change Submission 2026 - Technical Business Case - Helston Sewage Treatment Works', May 2026, pp.6-7
[119] South West Water, 'L3 - Cost Change Submission 2026 - Technical Business Case - Helston Sewage Treatment Works', May 2026, p.8
[120] South West Water, 'L3 - Cost Change Submission 2026 - Technical Business Case - Helston Sewage Treatment Works', May 2026, p.24, p.27
[121] South West Water, 'L3 - Cost Change Submission 2026 - Technical Business Case - Helston Sewage Treatment Works', May 2026, pp.8-9
[122] South West Water, 'L3 - Cost Change Submission 2026 - Technical Business Case - Helston Sewage Treatment Works', May 2026, p.8, p.19

	Our assessment- The need for investment is supported by our assessment that there is a sector-wide health issue for trickle filters. This indicates that poor health of trickle filters reflects a broader, systemic challenge which may require additional allowance. [123] The company provides sufficient and convincing evidence of the requirement for a step change in investment. The evidence is detailed, site-specific, and consistent. It demonstrates that the assets are old, and that deterioration has progressed to the point where it is affecting operability, treatment resilience and safe access. The reliance on temporary submerged aerated filters for an extended period is relevant, as it provides evidence that the existing biological assets have already moved beyond what routine maintenance can credibly manage. The historical trend data further supports the company's case that operating effort and reactive intervention have increased over time. On balance, the company demonstrates a clear and current need for additional investment over and above base allowances. The company's view of 'what base buys' (implicit allowance) across its asset proposals is lower than a view of what base buys based on historical sector expenditure rates. [124]		
Best option for customers	**Decision – Pass.** The company provides sufficient and convincing evidence to demonstrate that the proposed investment meets the 'Best option for customers' criteria. **Company evidence**-The company provides a structured optioneering assessment covering a do-minimum option, refurbishment of the rectangular filter, construction of new biological filters, construction of a new activated sludge process and an alternative sequencing batch	**Pass**	**0%**

[123] Further detail can be found in Cost Change Draft Determinations 2026 – Asset health cross cutting issues appendix
[124] Our assessment and further detail can be found in Cost Change Draft Determinations 2026 – Asset health cross cutting issues appendix

	reactor solution. It explains why the do-minimum option is unacceptable, why refurbishing the rectangular filter would leave the failing circular filters unresolved and continued reliance on temporary treatment, and why like-for-like replacement of trickle filters would not align with anticipated future nutrient requirements and would create higher operating expenditure due to the likely need for tertiary denitrification and chemical dosing. The company selects a new activated sludge process with an anoxic tank as the preferred option. It supports this with a cost-benefit appraisal undertaken through its portfolio risk and optimization system, whole-life cost arguments and a narrative that the selected option addresses root-cause failures, improves operational control and can be more readily upgraded for future nutrient removal. The submission also links the option to future growth and regulatory flexibility. **Our assessment** -The company provides sufficient and convincing evidence supporting its best option for customers assessment. The company's optioneering process demonstrates how the preferred solution has been selected. It explains what options were considered, why the non-preferred options were rejected, and how the selected option compares in whole-life terms. The reasoning is particularly relevant to future permit requirements and flexibility: the company credibly explains why investment in further trickle filter infrastructure would risk creating a less adaptable and higher-cost solution for customers over time. While the benefits appraisal is not overly granular, it is proportionate for a single-site proposal and, taken together with the condition evidence, provides sufficient and convincing evidence to conclude that the activated sludge process is the best option for customers.		
Robust and efficient costs	**Decision – Conditional Pass.** The company provides sufficient and convincing evidence to demonstrate that the proposed costs are based on a robust costing methodology. However, the submission does not provide sufficient and convincing evidence that the proposed costs	**Conditional Pass**	**10%**

	are efficient across the programme, and further evidence is required to demonstrate that costs are consistent with efficient delivery assumptions. **Company evidence –**The submission applies a methodology developed by a third party using historical delivery data, cost models and on-cost models informed by previously delivered interventions. Direct costs are derived using historical unit cost models, while indirect costs, overheads, and optimism bias are applied through separate on-cost methodologies. The submission states that the methodology is consistent with that used to develop PR24 business plan costs and has been subject to review by third-party consultants. The submission includes scheme-level cost breakdowns and supporting engineering descriptions for the scheme, Helston (£6.5 million). The submission does not include any internal or external benchmarking and states that efficiency is demonstrated through the robustness of the methodology, the use of historical delivery data, and consistency with the methodology applied at PR24. **Our assessment –** The company provides sufficient and convincing evidence to demonstrate that the costing methodology is robust. The methodology is informed by historical delivery data, established cost models and explicit optimism bias, which is consistent with our expectation that cost estimates should be informed by historical delivery experience and developed using a transparent methodology. The submission also demonstrates that direct costs, indirect costs, overheads and risk allowances have been incorporated within the cost estimates. For Helston, the cost breakdown and supporting descriptions provide sufficient visibility of the proposed activities and associated costs. The submission states that efficiency is demonstrated through the use of a robust methodology and the application of the same approach used to develop PR24 business plan costs. However, no external benchmarking evidence has been provided for the scheme, and		

	the submission does not provide alternative evidence demonstrating that costs are consistent with efficient delivery assumptions, such as supplier quote validation, independent benchmarking or third-party assessment of cost efficiency. While the submission explains that suitable external benchmarks were not available, the absence of benchmarking means that efficiency has not been independently tested. Taken together, the submission demonstrates that costs have been developed using a robust methodology. However, the absence of external benchmarking, lack of alternative efficiency validation and limited transparency mean that the company does not provide sufficient and convincing evidence to demonstrate that costs are efficient. To move to a pass at final determination, the company should provide sufficient and convincing evidence to: • Demonstrate the efficiency of the proposed costs. This can be through means such as external benchmarking, supplier quotes, independent assurance of cost efficiency or other appropriate comparator evidence. • Demonstrate that the proposed costs are consistent with efficient delivery of comparable interventions. If this evidence is not provided, we may apply a 10% cost efficiency challenge at final determination.		
Customer protection	**Decision – Some gaps** The company provides sufficient and convincing evidence that customers will be protected if the company under-delivers against the requested additional investment, however, does not provide any protection for the PR24 implicit allowance. We have therefore applied a Price Control Deliverable (PCD) to the 'what base buys' estimate.	**Some gaps**	

	Company evidence • The company does not propose a Price Control Deliverable (PCD) for activities delivered by existing PR24 base expenditure allowances. • The company proposes a PCD that covers the proposed additional investment. **Our assessment** The absence of a PCD covering base allowances means that customers are not protected in the event that the company does not deliver its activities associated with base allowances. **Decision** - To safeguard that activities associated with base allowances are delivered, a Base PCD will be applied to the 'what base buys' estimate provided by the company in the 'Need for Investment' gate of the submission. Further detail on the proposed PCD can be found in the Cost Change Draft Determinations 2026 – Price control deliverables appendix.		
Investment delivery plan	**Decision** – **Adequate** The company provides sufficient and convincing evidence that the scheme is deliverable, although some gaps remain in relation to stakeholder engagement and delivery risk detail. **Company evidence** -The company proposes delivery through the Amplify alliance and provides an outline 2025-30 delivery profile, including development, enabling works, demolition, civils, mechanical and electrical installation and commissioning. It states that delivery partners are already involved in design and planning and that the scheme will be completed by March 2030. **Our assessment**-Delivery through an established alliance model supports confidence that the necessary design and construction capability is in place. The phasing is plausible and	**Adequate**	

	the scope is sufficiently mature to show how the company intends to deliver the investment during the 2025-2030 period. However, the submission provides limited detail on formal stakeholder agreements, planning dependencies, and quantified risk mitigation. These gaps do not currently undermine the overall view that the proposal is deliverable.		

3.1.7 Water network storage assets (Bristol Water)

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
Summary of request	The company requests £26.7 million of funding for three sites, for contact tanks and water tanks combined. The need for investment is supported by portfolio level scenario modelling and asset level data. The company state that the assets are in poor condition and are critical to customer water supply.		
Need for a step change in investment	**Decision summary – Pass.** For £21.4 million of the proposed investment, the company provides sufficient and convincing evidence to demonstrate that the proposed investment meets the 'Need for step change in investment' criteria. **Conditional Pass.** For £5.3 million of the proposed investment, the company should provide further clarity that there are no overlaps with their 2025-2030 Enhancement case and 2025-2030 base plan for Littleton Water Treatment Works. To achieve a Pass at final determination, the company should provide sufficient and convincing evidence that	**Pass**	**Conditional pass (£5.3m)**

	funding for Littleton Water Treatment Works water storage tank sits separate to any previously funded investment. The estimate for 'what base buys' is low for this work. [125] In order to protect customers from paying twice, our general approach is to recover cost change allowances where existing base allowances turn out to be sufficient. If we were to amend this approach, we would look to implement a targeted customer protection for this allowance in light of the concern regarding 'what base buys'. **Company evidence** –The company states that investment in water storage assets is needed where ageing tanks, reservoirs or contact structures are materially deteriorating and can no longer be relied on to maintain water quality, operational resilience and continuity of supply through routine maintenance alone. The company state that 95% of the random sample data is in Condition Grade 1–3 (18 of 19), with the remaining 5% in condition grade 4 and none in condition grade 5. Furthermore, the company has included historical data which shows that expenditure on water network storage assets has remained consistent across 2015-2025[126]. The company has outlined its contact and storage tank strategy, stating that the approach is focused on having a programme of investment that reduce risk and deliver high-quality drinking water[127]. The company states that the current conditions of the proposed assets for intervention are condition grade 3 or 4[128]. This is evidenced to be the case at assets selected for intervention under the asset health reopener, with site specific evidence detailing, storage assets with reported cracking, leakage, surface corrosion and		**(Remaining £21.4m is Pass)**

[125] Our assessment and further detail can be found in 'Cost Change Draft Determinations 2026 – Asset health cross cutting issues appendix'
[126] Pennon, 'Cost Change Submission – Asset Health', May 2026, pp.15-16
[127] Pennon, 'Cost Change Submission – Asset Health', May 2026, p.15
[128] Pennon, 'Cost Change Submission – Asset Health – Technical Annex – Barrow CCT', May 2026, p.12

	potential ingress risk for Barrow chlorine contact tank,[129] Littleton storage tank[130] and Stowey storage tank.[131] The company provides photographic evidence of the current asset condition[132], as well as information around potential risks. A risk assessment has also been included which shows there is a very high risk of water quality contamination, and a high risk of loss of supply, operational failure, and emergency event escalation[133]. **Our assessment** Our current analysis indicates that there is a sector-wide health issue for network storage assets.[134] For £21.4 million of the proposed investment, the company provides sufficient and convincing evidence to demonstrate that there is a need for a step change in investment to address asset health issues. [135] The company provide site-level evidence showing ageing assets, rising deterioration and material water quality, resilience and safety risks, with maintenance alone insufficient. Portfolio-level quantified evidence linking historic and future spend to condition, risk and timing of investment is limited, specific need at a site level is well evidenced. For £5.3 million of the proposed investment, the company, in a query response, has provided information relating to Littleton WTW site[136], however, greater clarity is needed on how the proposed investment is separate from previously funded activity at Littleton		

[129] Pennon, 'Cost Change Submission – Asset Health – Technical Annex – Barrow CCT', May 2026, p.13
[130] Pennon, 'Cost Change Submission – Asset Health – Technical Annex – Littleton WTW', May 2026, p.10
[131] Pennon, 'Cost Change Submission – Asset Health – Technical Annex – Stowey WTW', May 2026, p.18
[132] Pennon, 'Cost Change Submission – Asset Health – Technical Annex – Barrow CCT', May 2026, p.13
[133] Pennon, 'Cost Change Submission – Asset Health – Technical Annex – Barrow CCT', May 2026, p.15
[134] Further detail can be found in the 'Cost Change Draft Determinations 2026 – Asset health cross cutting issues appendix'
[135] Further detail can be found in the 'Cost Change Draft Determinations 2026 – Asset health cross cutting issues appendix'
[136] Pennon, Query response 'OFW-SBB-CCP-014', June 2026

	WTW. For the Littleton investment to move to a pass at final determination, the company is required to present a clear view of current funded activity at the Littleton Water Treatment Works site, showing which area of funding the investment has been approved or requested through (enhancement, base, asset health cost change). The company's view of 'what base buys' (implicit allowance) across its asset proposals is lower than a view of what base buys based on historical sector expenditure rates. [137] While the company's submission references DWI support, no formal support evidence is provided. We request that the company provides this with its draft determination response.[138]		
Best option for customers	**Decision summary - Pass** The company provides sufficient and convincing evidence to demonstrate that the proposed investment meets the 'Best option for customers' criteria. **Company evidence** The company provide a summary of the optioneering processes used to select the chosen option from an initial wide range of alternative options, highlighting that a wide range of options have been considered under each asset case[139]. The company provides a description for the process for undertaking the optioneering. The company explains the process for prioritisation of the preferred option and final selection. For all three schemes, the company presents a number of options which have been considered, covering 'Do nothing', 'Increasing maintenance/ targeted refurbishment' and		

[137] Our assessment and further detail can be found in 'Cost Change Draft Determinations 2026 – Asset health cross cutting issues appendix'
[138] Pennon, 'Cost Change Submission – Asset Health', May 2026, p.18
[139] Pennon, 'Cost Change Submission – Asset Health', May 2026, p.19

	'Targeted renewal of specific assets'[140]. A cost benefit analysis is given for the preferred option and uses 'do nothing' as a baseline for comparison, this shows the preferred options have a positive net benefit and a positive benefit to cost ratio. The company references use of the Green Book guidance for evaluating the option benefits. The proposed solutions are detailed along including a qualitative explanation of the benefits for customers including strengthening drinking water quality risk control, resilience to asset failure and supply interruptions, and safeguarding supply to the local distribution network[141]. The company give an overview of customer engagement to support the proposed investment in storage assets[142] and provide recent customer engagement from April 2026 showing support for its cost change plan and the asset health investment[143] **Our assessment** -The company sets out its site-level optioneering , with clear benefits and some customer support. However, the preferred options do not show the highest benefit cost ratio and the rationale for this is limited. The company provides options benefit analysis at an asset solution level[144], giving a clearer explanation of benefit and cost trade-off, portfolio-level long-list approach, consistent multi-option comparison and benefits.		
Robust and efficient costs	**Decision summary – Conditional Pass** The company provides sufficient and convincing evidence to demonstrate that the proposed costs are based on a robust costing	**Conditional Pass**	**10% (applied to the**

[140] Pennon, 'Cost Change Submission – Asset Health - Technical Annex – Barrow Chlorine Contact Tank', May 2026, pp.15-16; Pennon, 'Cost Change Submission – Asset Health – Technical Annex – Littleton WTW', May 2026, pp.12-13; Pennon, 'Cost Change Submission – Asset Health – Technical Annex – Stowey WTW', May 2026, p.10
[141] Pennon, 'Cost Change Submission – Asset Health'. May 2026, p.20
[142] Pennon, 'Cost Change Submission – Asset Health'. May 2026, p.22
[143] Pennon, 'Cost Change Submission - Customer Research', May 2026, p.4
[144] Pennon, 'Cost Change Submission – Asset Health - Technical Annex - Kenley Water Treatment Works', May 2026, p.16

	methodology. However, the submission does not provide sufficient and convincing evidence that cost efficiency has been demonstrated across the full programme. Further evidence is required for the proportion of costs not supported by benchmarking evidence. A conditional pass is applied with a 10% cost challenge on un-benchmarked costs. **Company evidence –** The submission applies a costing methodology based on historical delivery data, supported by cost models and on-cost models developed by a third party. Direct costs are developed using historical unit cost models and combined with indirect costs, overheads and optimism bias through separate on-cost methodologies. The submission includes benchmarking undertaken by a third party and supplemented by WRc TR61 comparator data. Additional evidence provided sets out the proportion of each scheme that has been benchmarked and identifies the cost elements excluded from benchmarking, which include, development and assurance, temporary works, demolition, pump stations, pipework and allied works. Across the three Bristol Water schemes, two schemes have been benchmarked across 100% of the network storage costs, while the remaining scheme has 34% of costs benchmarked bringing the aggregate to 55%. The submission includes benchmarking results from all schemes and provides explanations for benchmark variances where relevant. **Our assessment –** The company provides sufficient and convincing evidence to demonstrate that its costing methodology is robust. The use of historical delivery data established cost models and explicit optimism bias is consistent with Ofwat's expectation that costs are informed by historical delivery experience and developed using a transparent methodology. The submission also demonstrates that direct costs, indirect costs, overheads and risk have been incorporated within the cost estimates. However, the company does not provide sufficient and convincing evidence that cost efficiency has been demonstrated across the full programme. While benchmarking has been undertaken using both internal and external comparator sources and is supported by third-party review, benchmarking has only been applied to approximately 55% of the		**proportion of costs where efficiency has not been demonstrated (45%)**

	total network storage claim. Although two of the three schemes have been benchmarked across their full cost base, these schemes account for a relatively small proportion of total programme costs. The largest scheme, a contact tank scheme, has only 34% of costs benchmarked and accounts for the majority of excluded costs. The submission identifies the cost elements excluded from benchmarking and states that these relate primarily to non-comparable items. However, it does not provide sufficient and convincing evidence to demonstrate that the excluded costs are efficient. Benchmarking results do indicate that the 34% cost base of the contact tank scheme is within benchmark range, which provides some assurance on cost efficiency. We also note that the additional information provided by the company demonstrates that un-benchmarked costs have been developed using the same historical cost methodology that informed PR24 base cost estimates. This provides confidence in the robustness of the costing methodology, but this evidence is not sufficient and convincing to demonstrate cost efficiency of the whole programme. The two fully benchmarked schemes are above benchmark ranges. The submission attributes these variances to demolition and other non-comparable costs that are not reflected within benchmark datasets. While this explanation is reasonable in principle, the submission does not quantify the contribution of these excluded items. Taken together, the company provides sufficient and convincing evidence that benchmarked costs are broadly efficient. However, it does not provide sufficient and convincing evidence that efficiency has been demonstrated for the remaining un-benchmarked proportion of costs. To achieve a pass at final determination, the company should provide sufficient and convincing evidence to: • Demonstrate that the costs excluded from the benchmarking exercise (including demolition, pump stations, pipework and allied works) are consistent with efficient delivery assumptions; and		

	• Quantify the value of the costs excluded from benchmarking and explain how these costs have been validated. Provide further evidence demonstrating that the un-benchmarked costs are efficient, which may include historical delivery evidence, supplier quotations, third-party review or other comparable cost evidence. If this evidence is not provided, we may apply a 10% cost efficiency challenge at final determination to the proportion of costs for which efficiency has not been demonstrated.		
Customer protection	**Decision summary – Some gaps.** The company provides sufficient and convincing evidence to demonstrate that customers will be protected if the company under-delivers against the requested additional investment, however, it does not provide any protection for the PR24 implicit allowance. We have therefore applied a PCD to the 'what base buys' estimate. **Company evidence** - The company does not propose a Price Control Deliverable (PCD) for activities delivered by existing PR24 base expenditure allowances. The company proposes a PCD that covers the proposed additional investment at Barrow, Littleton and Stowey Water Treatment Works sites with a unit rate aligned to the cost of delivery. **Our assessment** - The absence of a PCD covering base allowances means that customers are not protected in the event that the company does not deliver its activities associated with base allowances. **Decision** - To safeguard that activities associated with base allowances are delivered, a Base PCD will be applied to the 'what base buys' estimate provided by the company in the 'Need for Investment' gate of the submission. Further detail on the proposed PCD can be found in the Cost Change Draft Determinations 2026 – Price control deliverables appendix.	**Some gaps**	

Investment delivery plan	**Decision summary – Some gaps.** The company provides sufficient and convincing evidence to demonstrate that the programme is deliverable, although there are some gaps in the evidence of scheme specific risks and delivery planning. **Company evidence** - The company presents a phased implementation schedule, which is supported by an alliance-based delivery approach, engagement with key stakeholders and the supply chain, and integration with AMP8 programmes. They have provided a proposed delivery profile, showing the interventions will be completed by 2030[145]. Furthermore, the company present a range of delivery risks, however these are described at a programme level[146], rather than at the scheme level, detailed supporting quantifying information is lacking. The company have engaged with relevant internal stakeholders, but engagement with external stakeholders such as DWI or EA is lacking. However, the company state it recognises engagement is required for successful delivery. The company also state that some agreements of plans have not yet been sought due to the early stages of the scheme[147]. **Our assessment** - The delivery planning is credible and the evidence the company provides gives confidence in the deliverability of the proposed investment. Detailed site operability considerations have been shown and described. The company's alliance-based delivery, stakeholder and supply chain engagement and phased schedules support the investment delivery plan. However, the specific scheme level risks and detailed delivery planning could be improved.		

[145] Pennon, 'L3 – Cost Change Submission 2026 Technical Business Case – Barrow Chlorine Contact Tank', May 2026, p.20
[146] Pennon, 'Cost Change Submission – Asset Health', May 2026, pp.56-58.
[147] Pennon, 'Cost Change Submission – Asset Health', May 2026, p.56

	To achieve adequate level at Final Determination, the company should provide sufficient and convincing evidence of: • Evidence of quantified delivery risks at a scheme level; and • Formal stakeholder approval, in particular support from the DWI.		

3.1.8 Water network storage assets (South West Water)

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
Summary of request	The company has requested £47.1 million of funding for two water network storage investments. The company state that both assets are critical to system resilience, with failure leading to material reductions in supply security and increased risk of supply interruptions for large customer populations, despite one asset having been out of service since 2022.		
Need for a step change in investment	**Decision summary – Pass.** Following exclusion of investment items that are out of scope of the asset health cost change process[148] (£11.2 million), the company provides sufficient and convincing evidence to demonstrate that the remainder of the proposed investment (£35.9 million) meets the 'Need for step change in investment' criteria.	**Pass**	**£11.2 million Excluded as**

[148] See 'Cost Change Draft Determinations 2026 – Asset health cross cutting issues appendix', section 4, for further detail of the general rationale that applies to out of scope elements, and assessment section below for details of the assets removed.

	The estimate for 'what base buys' is low for this work. [149] In order to protect customers from paying twice, our general approach is to recover cost change allowances where existing base allowances turn out to be sufficient. If we were to amend this approach, we would look to implement a targeted customer protection for this allowance in light of the concern regarding 'what base buys'. **Company evidence –**The company show historic investment in service reservoirs of £3.45 million in each investment period over the last 10 years (2015-20 and 2020-25).[150] The requested investment of this asset health reopener at the water treatment works selected for intervention by South West Water, is more than ten times this estimate. The Pennon Group report states that service reservoir deterioration and performance modelling for the PR24 submission, showed that deterioration and service risks over a 40 year horizon could be managed within typical base allowances during the asset investment period (2025-30), but that "this would involve sub-optimal maintenance decisions of isolated repairs/remedials compared to investment options selected when maximum net benefit is considered over the long-term".[151] The company has outlined its contact and storage tank strategy, stating that the approach is focused on having a programme of investment that reduce risk and deliver high quality drinking water[152]. The current condition of the assets is included within the individual asset health technical annex which states there is continued structural deterioration, on an asset		**out of scope** **(Remaining £35.9m is Pass)**

[149] Our assessment and further detail can be found in the 'Cost Change Draft Determinations 2026 – Asset health cross cutting issues appendix'
[150] Pennon, 'Cost Change Submission - asset health', May 2026, Table 5
[151] Pennon, 'Cost Change Submission - asset health', May 2026, p.18
[152] Pennon, 'Cost Change Submission - asset health', May 2026, p.15

	constructed in the early 1900s[153]. Photographic evidence of the current asset condition is shown[154], as well as a detailed description of potential risks. A risk assessment has been included which shows there is a very high risk of water quality contamination, and a high risk of loss of supply, operational failure, and emergency event escalation[155]. The company state the proposed funding covers the reconstruction of an existing reservoir, to address deteriorating condition and water quality risk[156] and replace another reservoir to reduce water quality risk and improve security of supply resilience for customers[157]. In its proposals, the company provides a breakdown of costs and activities, which allow for the assessment of works in scope of the asset health reopener[158]. **Our assessment -** We exclude £11.2 million of the proposed investment relating to one asset (Houndall Service Reservoir (SR)) which has been out of service prior to October 2023[159]. 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. Our current analysis indicates that there is a sector-wide health issue for network storage assets. [160] Additionally, in the context of this assessment, for the remaining £35.9 million, the		

[153] Pennon, 'Cost Change Submission – asset health – technical annex – Alderney service reservoir', May 2026, p.7; Pennon, 'Cost Change Submission - asset health', May 2026, p.21
[154] Pennon, 'Cost Change Submission – asset health – technical annex – Alderney service reservoir', May 2026, p.8
[155] Pennon, 'Cost Change Submission – asset health – technical annex – Alderney service reservoir', May 2026, p.9
[156] Pennon, 'Cost Change Submission - asset health', May 2026, p.21.
[157] Pennon, 'Cost Change Submission - asset health', May 2026, p.21, table 7.
[158] Pennon, 'Cost Change Submission - asset health', May 2026, Table 7; and; Query Response ref, 'OFW-SBB-CCP-012 – response', June 2026
[159] Pennon, Query response 'OFW-SBB-CCP-012'. See 'Cost Change Draft Determinations 2026 – Asset health cross cutting issues appendix', section 4 for further detail of the general rationale that applies to out-of-scope elements.

	company provides sufficient and convincing evidence that there is a need for a step change in investment to address asset health issues.[161] The submission provides evidence of poor network storage asset condition at the treatment works selected for intervention (Alderney), and demonstrates a need for investment to address deteriorating condition, water quality risk and resilience shortfall.[162] The submission does not clearly evidence how asset condition has deteriorated over time, but it does reference previous portfolio level deterioration and scenario modelling conducted by the Pennon Group, demonstrating management of the asset class by isolated repairs/remedials to be sub-optimal in the longer term. Furthermore, there is sufficient and convincing evidence of risk and, within a query response, outputs from the deterioration modelling from PR24 has been included[163]. The company's view of 'what base buys' (implicit allowance) across its asset proposals is lower than a view of what base buys based on historical sector expenditure rates. [164] While the company's submission references DWI support[165], no formal support evidence has been provided. The company should provide evidence of DWI support for the asset health improvements in its response to this draft determination.		
Best option for customers	**Decision summary – Pass** The company provides sufficient and convincing evidence to demonstrate that the proposed investment meets the 'Best option for customers' criteria.	**Pass**	

[161] Further detail can be found in the 'Cost Change Draft Determinations 2026 – Asset health cross cutting issues appendix'
[162] Pennon, 'Cost Change Submission – asset health', May 2026, p.21
[163] Pennon, Query response 'OFW-SBB-CCP-015', June 2026
[164] Our assessment and further detail can be found in the 'Cost Change Draft Determinations 2026 – Asset health cross cutting issues appendix'
[165] Pennon, 'Cost Change Submission – Asset Health', May 2026, p.18

	Company evidence – The company describe the optioneering processes, highlighting that a wide range of options have been considered under each asset case[166]. The company references use of the Green Book guidance for evaluating the options. The company has provided a list of proposed solutions including the benefit to customers for the options described[167]. The company state that the reconstruction intervention will strengthen drinking water quality assurance by reducing contamination pathways associated with structural deterioration and ingress risk and strengthen resilience of treated water storage supporting supply security. It will also provide improved whole-life value by moving away from frequent remedial repairs that are no longer sustainable, reducing the likelihood of unplanned outages and future cost volatility. The company give an overview of customer engagement to support the proposed investment in storage assets and provide recent customer engagement[168] from April 2026 showing support for its cost change plan and the asset health investment[169]. However, it is not clear whether customers have expressed support for this specific investment proposal. **Our assessment** – The company provides sufficient and convincing evidence to demonstrate that optioneering has been undertaken and provides explanation of the preferred option. The company demonstrates qualitative site-level optioneering and identifies potential benefits of the proposed interventions. The options cost and benefit cost ratio information has been qualitatively explained supporting the rationale for the preferred option. Furthermore, the company in its query response[170] gives a clearer explanation of the site selection approach, and consistent multi-option cost comparison and benefits.		

[166] Pennon, 'Cost Change Submission – Asset Health', May 2026, p.19
[167] Pennon, 'Cost Change Submission – Asset Health', May 2026, p.20
[168] Pennon, 'Cost Change Submission – Customer Research', May 2026
[169] Pennon, 'Cost Change Submission – Customer Research', May 2026
[170] Pennon, Query response 'OFW-SBB-CCP-015', June 2026

Robust and efficient costs	**Decision Summary – Pass** The company provides sufficient and convincing evidence to demonstrate that the proposed costs are robust and efficient. The submission is supported by historical delivery data, established cost models, benchmarking and third-party review, demonstrating that costs are consistent with efficient delivery assumptions. **Company evidence** – The submission applies a costing methodology based on historical delivery data, supported by cost models and on-cost models developed by a third party. Direct costs are developed using historical unit cost models and combined with indirect costs, overheads and optimism bias through separate on-cost methodologies. The submission includes benchmarking undertaken by a third party and supplemented by WRc TR61 comparator data. Additional evidence provided sets out the proportion of each scheme that has been benchmarked and identifies the cost elements excluded from benchmarking, which include, development and assurance, temporary works, demolition, valving and pipework. For South West Water 80% of the network storage claim has been benchmarked. The submission includes benchmarking results from both schemes (including the out of service asset) and provides explanations for benchmark variances where relevant. **Our assessment** - The company provides sufficient and convincing evidence to demonstrate that the costing methodology is robust. The methodology is informed by historical delivery data and applies a consistent approach to the development of direct costs, indirect costs, overheads and optimism bias. This demonstrates that costs are grounded in the delivery of comparable interventions and developed through an established methodology. The company also provides sufficient and convincing evidence to demonstrate that costs are efficient. The additional evidence provided alongside the submission improves transparency regarding benchmarking coverage and application, demonstrating the proportion of each scheme that has been benchmarked and identifying the specific cost elements excluded from the benchmarking exercise. This provides greater confidence that benchmarking has been undertaken on an appropriate basis and that benchmark results are representative of the principal cost drivers.	**Pass**	**0%**

	Benchmarking results demonstrates that one scheme is marginally above benchmark levels and one scheme is marginally below benchmark levels, concluding that costs are broadly aligned to comparator levels. The submission also provides explanations for variances against benchmark ranges and demonstrates that approximately 80% of the network storage claim has been benchmarked. While not all costs have been benchmarked, we consider the evidence provided to be proportionate to the scale of the investment proposal. The benchmarked costs represent the substantial majority of the claim and are supported by historical delivery data, internal benchmarking and third-party review. While some cost elements have been excluded from benchmarking, the submission identifies these exclusions and demonstrates that they relate to items that are not readily comparable across schemes. Taken together, the benchmarking evidence, historical delivery data and supporting information provide sufficient and convincing evidence that costs are efficient, and no cost challenge is applied at draft determination.		
Customer protection	**Decision summary – Some gaps.** The company provides sufficient and convincing evidence to demonstrate that customers will be protected if the company under-delivers against the requested additional investment, however, it does not provide any protection for the PR24 implicit allowance. We have therefore applied a PCD to the 'what base buys' estimate. **Company evidence** - The company does not propose a Price Control Deliverable (PCD) for activities delivered by existing PR24 base expenditure allowances. The company proposes a PCD that covers the additional investment at the two service reservoirs submitted under this proposal, with a unit rate aligned to the cost of delivery. **Our assessment** - The absence of a PCD covering base allowances means that customers are not protected in the event that the company does not deliver its activities associated with base allowances.	**Some gaps**	

	Decision -To safeguard that activities associated with base allowances are delivered, a Base PCD will be applied to the 'what base buys' estimate provided by the company in the 'Need for Investment' gate of the submission. Further detail on the proposed 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 sufficient and convincing evidence to demonstrate that the programme is deliverable, although there are some gaps in the evidence of scheme specific risks and delivery planning. **Company evidence** - The company presents a phased implementation schedule, which is supported by an alliance-based delivery approach, engagement with key stakeholders and the supply chain, and integration with investment period 2025-30 programmes. They have provided a proposed delivery profile, showing the intervention will be completed by Q2 2030[171]. Furthermore, the company present a range of delivery risks, however these are described at a programme level[172], rather than at the scheme level, detailed supporting quantifying information is lacking. The company has engaged with relevant internal stakeholders, but engagement with external stakeholders such as DWI or EA is lacking. However, the company state it recognises engagement is required for successful delivery. The company also state that some agreements of plans have not yet been sought due to the early stages of the scheme[173]. **Our assessment** - The delivery planning is credible and the evidence the company provides gives confidence in the deliverability of the proposed investment. Detailed site operability		

[171] Pennon, 'Cost Change Submission Asset Health – Technical Annex - Alderney Service Reservoir', May 2026, p.16
[172] Pennon, 'Cost Change Submission – Asset Health', May 2026, pp. 56-58.
[173] Pennon, 'Cost Change Submission – Asset Health', May 2026, p.56

	considerations have been shown and described. The company's alliance-based delivery, stakeholder and supply chain engagement and phased schedules support the investment delivery plan. However the specific scheme level risks and detailed delivery planning could be improved. We request that evidence of quantified delivery risks at a scheme level is provided in the company's response to this draft determination.		

A3.2 Growth

3.2.1 Growth at Sewage Treatment Works

Assessment criteria	Assessment	Decision	
		Criteria	Adjustment (applied and/ or conditional)
Summary of request	South West Water is requesting an additional £10.31 million of end-of-period funding to deliver a single growth-related scheme at Newquay wastewater treatment works (WWTW), to provide permanent additional treatment capacity beyond PR24 assumptions.[174,175] The company states that the need is driven by sustained housing development and significant seasonal demand, with summer 2025 peak loadings reaching around 1.5 times design population equivalent (PE). It also states that current reliance on temporary operational measures is not sustainable in the long term.		

[174] South West Water, 'Cost Change Submission 2026 Growth', May 2026, pp. 3-5
[175] South West Water, 'L3 2026 Technical Business Case', May 2026, p. 3

Need for a step change in investment	**Decision: Conditional pass.** The company provides sufficient and convincing evidence that additional investment is needed at Newquay WWTW to address growth-related capacity pressures. However, we have some concerns around the inclusion of the element attributable to Boardmasters-related demand and whether this meets the requirements of the cost change process. **Company evidence:** The company states that demand growth at Newquay WWTW has increased beyond PR24 assumptions, with recent monitoring showing summer peak organic loads materially above those assumed at PR24, driven by growth, tourism and seasonal demand. [176,177] The submission states that the works has around 111,000 population equivalent (PE) of biological oxygen demand (BOD) treatment capacity, following the addition of HYBrid ACtivated Sludge (HYBACS) units, but that this is no longer sufficient to manage peak summer demand and maintain operational resilience. It states that summer 2025 peak organic loading reached around 1.5 times design population equivalent, indicating existing treatment capacity pressures and increasing operational risks. The company identifies residential development, tourism and event-driven demand, particularly Boardmasters, as key drivers of peak loading at the site. The submission states that Boardmasters attendance increased from around 20,000 attendees in 2014 to 58,000 in 2025, and that peak loads associated with the festival form the basis of the modelling used in the submission. It states that the resident population is forecast to increase from 32,949 in 2026 to 48,975 by 2045, while peak tourist population is projected to rise over the same period from 24,867 to 26,981.[178] The company states that the proposed investment is not intended to regain compliance with existing permit conditions or respond to enforcement action, but rather to ensure future growth can be accommodated while maintaining compliance. It also states that customers recognised the scale of development and seasonal pressures in the Newquay area and accepted the need to upgrade the wastewater treatment capacity, although	**Conditional pass**	**20%**

[176] South West Water, 'Cost Change Submission 2026 Growth', May 2026, pp. 3-7, 10; 'Growth Technical Annex Newquay STW', May 2026, pp. 3, 6, 8-9
[177] South West Water, 'Growth Technical Annex Newquay STW', May 2026, pp. 3, 6, 8-9
[178] South West Water, 'OFW-CCP-007 Response', June 2026, pp. 3-5

	some raised concerns about whether the costs should fall on the wider customer base rather than through developer or tourism-related contributions. **Our assessment:** The company states that Newquay WWTW is under treatment capacity pressure, with reduced headroom and increasing operational resilience risks. We consider that this supports the need for some additional investment. However, the evidence indicates that the claim is driven by a combination of catchment growth, established seasonal and event-driven peak loads, and operational resilience pressures. Boardmasters forms the basis of the modelling used in the submission and is identified as a material driver of peak loading at the site. While the company states that attendance increased significantly from around 20,000 in 2014 to 58,000 in 2025, external evidence indicates that attendance was already substantial in 2017 and has only increased gradually in recent years. This suggests that part of the claim relates to managing an established recurring peak demand pressure, alongside the company's stated growth rationale. This creates uncertainty as to whether the full proposed 55,594 PE increase qualifies for the cost change process and should be funded by the wider customer base, particularly where part of the need appears to relate to established seasonal and event-driven pressures rather than future population growth alone. The company's customer research reinforces this uncertainty, as customers supported expanding treatment capacity at Newquay but raised concerns about whether costs associated with development, tourism or major events should be funded by the wider customer base. While the company has demonstrated a need for additional investment at Newquay WWTW, it has not provided sufficient and convincing evidence that the full proposed investment is attributable to higher than expected demand growth. In particular, there remains uncertainty around the element of the claim associated with Boardmasters-related demand and established seasonal peak pressures. We want the water sector to support economic growth by ensuring wastewater treatment and network capacity keep pace with new housing and business demand. We therefore apply a **conditional pass with a 20% challenge**, reflecting the need for additional treatment capacity at Newquay		

	WWTW, but also the remaining uncertainty about whether the full investment need is attributable to higher population growth. To achieve a **pass** at final determination, the company should provide sufficient and convincing evidence that the proposed PE increase has been agreed with the Environment Agency (EA) and is attributable to higher population growth. If sufficient and convincing evidence is not provided, we may apply the cost challenge at final determination to reflect the remaining uncertainty as to whether the full investment need is attributable to higher population growth.		
Best option for customers	**Decision: Pass**: We consider that the company's cost is efficient against the indicative PR24 Growth at Sewage Treatment Works (STW) modelled benchmark used for our cost change process assessment. We therefore consider that the company provides sufficient and convincing evidence that the selected option is the best option for customers. **Company evidence:** The company's submission sets out a structured appraisal of options across different intervention types, with reasons for rejecting alternatives based on feasibility, deliverability, resilience and whole-life cost.[179] It states that the appraisal is aligned with drainage and wastewater management plan (DWMP) optioneering principles and uses an explicit whole-life cost and cost-benefit approach to support selection of the preferred option. The preferred solution is described in terms of scope, scale and intended benefits, including improved resilience, reduced reliance on temporary treatment measures and protection of sensitive receiving waters. The submission also provides evidence of stakeholder and customer engagement, including customer views on the need for investment, bill impacts and concerns about the funding of tourism-related pressures. It further refers to engagement with regulators and local authorities in developing the proposal and progressing delivery requirements. In relation to customer engagement, the assurer noted that the growth-related customer research was presented on a neutral basis, including disclosure of the relationship between tourism	**Pass**	**0%**

[179] South West Water, 'Cost Change Submission 2026 Growth', May 2026, pp. 7-11, 14-18; 'Growth Technical Annex Newquay STW', May 2026, pp. 14-20

	growth and the growth claim.[180] However, it was considered that the evidence would have been stronger if supported by quantitative analysis. **Our assessment:** We assess the company costs against the indicative PR24 Growth at STW modelled benchmark and find the proposed cost to be efficient against the benchmark. The company provides evidence of a preferred solution and explains why it considers this to be the most appropriate intervention. The submission demonstrates that customers were engaged on the broader issue of growth investment, including areas where views may be less supportive. Although the company has addressed the optioneering criteria, the independent assurer raised a broader finding on the company's approach to optioneering, noting that the options were considered at site level, and that narrowing a long list of possible investments through senior stakeholder review could make it harder to demonstrate that the full range of options had been considered. The assurer also reviewed the cost-benefit analysis outputs but did not assess the appropriateness of the underlying benefit rates or assumptions or confirm the supporting narrative. We consider that the submission clearly explains the preferred scheme and the factors informing its selection, but some uncertainty remains as to whether the preferred solution is the best option for customers. While the company has provided optioneering evidence, the assurance does not fully resolve whether the option assessment was sufficiently broad and robust to demonstrate best value for customers. As the scheme is efficient against the indicative benchmark, we consider that there is sufficient and convincing evidence that the selected option is the best option for customers and pass it as the best option for customers. We note that any future submissions should include evidence of the comparative costs, benefits and key assumptions for the options		

[180] South West Water, 'Growth Assessment Summary Memo', May 2026, pp. 4, 7

	considered, including the rationale for excluding options (e.g. enhanced anoxic selector zone) from cost-benefit analysis.		
Robust and efficient costs	**Decision: Pass.** We consider that the company's cost is efficient against 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 option is robust and efficient. **Company evidence:** The submission includes a bottom-up cost build-up.[181,182] The company states that its cost estimate for the Newquay WWTW scheme was developed using internal cost models informed by recent outturn data from comparable wastewater treatment schemes and benchmarked against industry norms. The company provides a breakdown of scheme costs and explains that the majority of expenditure is expected to fall in 2028–29, during the main construction phase, with commissioning and handover costs in 2029–30. The company also states that it has benchmarked the Newquay scheme against Ofwat's PR24 growth at sewage treatment works model and that the proposed costs compare favourably with Ofwat's modelled benchmark. While it has not provided direct scheme-by-scheme comparisons against specific internal or external schemes, it states that its internal cost models are calibrated against wider industry benchmarks to support efficiency.[183] **Our assessment:** We assess the scheme cost against our indicative PR24 Growth at STW modelled benchmark and find it to be efficient. The submission does not provide direct scheme-by-scheme comparisons against specific internal or external comparators, nor evidence from competitive procurement. The assurer did not confirm that the cost	**Pass**	**0%**

[181] South West Water, 'Cost Change Submission 2026 Growth', May 2026, pp. 11-13
[182] South West Water, 'Growth Technical Annex Newquay STW', May 2026, pp. 5, 16, 19

	estimates are efficient but instead reviewed the scope and nature of the external benchmarking and its presentation. As the requested cost is significantly below the PR24 Growth at STW modelled benchmark, we apply a **pass** against the robust and efficient cost criteria. Future submissions would benefit from including clearer internal or external scheme comparisons.		
Customer protection	**Decision: Adequate.** The company provides sufficient and convincing evidence that customers are protected through a proposed Price Control Deliverable (PCD) for the Newquay WWTW growth investment. The proposed PCD is linked to the delivery of additional PE treatment capacity and includes monitoring, reporting and assurance arrangements. **Company evidence:** The company states that customers are protected through a proposed PCD for the growth investment at Newquay WWTW.[184] The PCD defines the scope of the scheme, the output to be measured, the approach to monitoring and reporting, and how delivery is assessed. The company proposes additional PE treatment capacity, based on BOD loading, as the output measure for the PCD. It states that this reflects the precedent established at PR24, where PE is used as the primary cost driver for setting allowances and calibrating PCD rates for WWTW growth schemes. The proposed PCD covers the Newquay WWTW scheme, with a cost change totex of £10.3 million. It defines delivery as the additional PE capacity being commissioned, in operation and in permanent use. The company states that progress is reported through delivery plan reporting and assured annually, with evidence including works designs, as-built drawings, load capacity calculations, commissioning evidence and handover evidence. **Our assessment:** The company provides sufficient and convincing evidence that the proposed customer protection arrangements are appropriate. The proposed PCD is linked	**Adequate**	**N/A**

[184] South West Water, 'Cost Change Submission 2026 Growth', May 2026, p. 14

	to the main output of the scheme: additional permanent treatment capacity at Newquay WWTW. The use of PE capacity as a way to measure delivery is appropriate for a growth-related WWTW scheme and is consistent with the wider approach used at PR24. The company also sets out how delivery is monitored, reported and assured. This provides a clear mechanism to protect customers if the proposed capacity is not delivered. We therefore apply **adequate** for customer protection. Further detail on the proposed PCD can be found in the Cost Change Draft Determinations 2026 – Price control deliverables appendix.		
Investment delivery plan	**Decision: Adequate.** The company provides sufficient and convincing evidence that the Newquay WWTW scheme is deliverable within the 2025-30 period. The delivery plan sets out the proposed delivery route, key delivery risks, stakeholder and supply chain arrangements, and states that the investment is considered deliverable within the 2025–30 period. **Company evidence:** The company states that the scheme is assessed as part of the wider 2025-30 period capital delivery portfolio and is expected to be delivered through the established and mobilised Amplify partnership.[185] It states that delivery sequencing and capacity are considered alongside other investments in the 2025-30 period. The company identifies delivery risks including programme capacity and sequencing, design maturity, constructability, supply chain availability, cost development and governance interfaces. It states that mitigation plans are in place through portfolio planning, progressive design development, cost assurance and ongoing risk management. It also states that no unmanageable or unmitigated risks are identified that would undermine confidence in deliverability within the 2025-30 period. The company states that external permissions and consents are identified as part of scheme development, but that the Newquay scheme is not currently identified as presenting atypical or heightened consent risk, given the availability of space on site and the absence of complex or novel treatment	**Adequate**	N/A

[185] South West Water, 'Cost Change Submission 2026 Growth', May 2026, pp. 15-16

	solutions. It also states that supply chain capability is considered through the wider 2025-30 period delivery programme and that the established Amplify partnership provides confidence in the availability of appropriate delivery and construction capability. **Our assessment:** The company provides sufficient and convincing evidence that the proposed Newquay WWTW scheme is deliverable within the 2025-30 period. The company sets out the intended delivery route, identifies relevant delivery risks, and explains how these are managed through existing programme governance, portfolio planning, supply chain arrangements and progressive design development. The proposed scope uses established treatment solutions and does not appear to rely on novel or unusually complex delivery arrangements. The company identifies some areas that continue to mature, including detailed sequencing, final cost confirmation and scheme-specific risk management, but these do not appear to undermine overall delivery confidence. We therefore apply adequate for the investment delivery plan.		

A3.3 Cyber

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