August 2026

PR24 cost change process - Sector Overview

Contents

1. About this document

In this consultation document we set out the additional expenditure allowances we propose to allow companies in our 2026 cost change draft determinations following our assessment of their cost change claims. These additional allowances will enable companies to invest in PFAS removal[1], asset health, growth, large gated schemes, major projects and Havant Thicket.

We also set out the in-period revenue we propose to allow and the regulatory capital value (RCV) adjustments we propose to recognise, and the timing of this. We include the following annexes in this document:

- Annex 1 – our statutory duties, which sets out the legal framework the cost change process operates in; and
- Annex 2 – Assessing in-period funding.

The following documents, published today, also form part of this consultation:

- Cost change draft determinations 2026 for each company, which set out the impact of our decisions on the company's price controls, how we fund the company's expenditure allowances and our assessment of, and decision on the company's submitted claims;
- Cost Change draft determinations 2026 – Asset health cross cutting issues appendix, which covers asset health investment proposals submitted in the 2026 cost change process;
- The price control deliverables (PCD) appendix, which sets out our proposed approach to setting price control deliverables for the PR24 cost change process to hold companies to account for delivery of their cost change expenditure;
- Cost change draft determinations 2026 PCD files for asset health, PFAS, growth and large gated schemes, which include company's price control deliverables
- The cost change draft determination 2026 suite of models which support our draft determinations.

The figures in this document are shown in 2022-23 price base.[2]

We welcome any comments on this consultation. We encourage responses to be submitted via our consultation platform https://consult.ofwat.gov.uk.

However, you can also respond by email to costchange@ofwat.gov.uk or post it to:

Cost Change Consultation response

[1] For more information on per and poly fluoroalkyl substances (PFAS), see the Drinking Water Inspectorate's webpage "PFAS and Forever Chemicals".
[2] 2022-23 financial year average (FYA) CPIH deflated: PR24 base year prices

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The closing date for this consultation is 5pm on 24 September 2026. We intend to publish responses to this consultation on our website at www.ofwat.gov.uk. Subject to the following, by providing a response to this consultation you are deemed to consent to its publication.

If you think that any of the information in your response should not be disclosed (for example, because you consider it to be commercially sensitive), an automatic or generalised confidentiality disclaimer will not, of itself, be regarded as sufficient. You should identify specific information and explain in each case why it should not be disclosed and provide a redacted version of your response, which we will consider when deciding what information to publish. At a minimum, we would expect to publish the name of all organisations that provide a written response, even where there are legitimate reasons why the contents of those written responses remain confidential.

In relation to personal data, you have the right to object to our publication of the personal information that you disclose to us in submitting your response (for example, your name or contact details). If you do not want us to publish specific personal information that would enable you to be identified, our privacy policy explains the basis on which you can object to its processing and provides further information on how we process personal data.

In addition to our ability to disclose information pursuant to the Water Industry Act 1991, information provided in response to this consultation, including personal data, may be published or disclosed in accordance with legislation on access to information – primarily the Freedom of Information Act 2000 (FoIA), the Environmental Information Regulations 2004 (EIR) and applicable data protection laws.

Please be aware that, under the FoIA and the EIR, there are statutory Codes of Practice which deal, among other things, with obligations of confidence. If we receive a request for disclosure of information which you have asked us not to disclose, we will take full account of your explanation, but we cannot give an assurance that we can maintain confidentiality in all circumstances.

2. Background

We made our final determinations for PR24 based on the best information available to us at the time. Our final determinations set out a revenue, service and incentive package which provides companies with the funding that enables them to meet the requirements set by the UK and Welsh governments and to deliver better outcomes for customers and the environment in the 2025-30 period.

In our PR24 final determinations, we said we would introduce a new in-period adjustment mechanism (the cost change mechanism) for critical cost areas where costs were still uncertain.[3] Following extensive consultation with stakeholders, we published our decision on implementing the cost change process in November 2025[4] and published guidance explaining how the process would work in November and December 2025[5].

The cost change process is in place for the period from 1 April 2025 to 31 March 2030, with companies having the opportunity to make submissions in 2026, 2027 and 2028. This process applies to critical cost areas[6], and will minimise delays in delivery, giving companies earlier certainty over costs that will be recovered in the next price control period and, if necessary, allow companies to access additional revenue during 2025-30. We said that the default position for any claim will be an end-of-period adjustment[7] and that we would commit to making any additions to RCV at the next price review and that we would make these as a midnight adjustment.

Our 2026 cost change draft determinations reflect our statutory duties and the UK and Welsh Government statements setting out strategic priorities and objectives for Ofwat (commonly known as strategic policy statements (SPSs)).[8] [9] We must act in accordance with our statutory duties and the SPSs when carrying out most of our work, including when we make decisions on changes to price controls. Annex 1 provides more detail on our statutory duties, including the environmental duties that apply to public bodies generally.

In relation to relevant requirements that apply to water companies, including duties concerning protected landscapes,[10] we expect that companies' schemes either reflect the

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[3] We set this out in PR24 final determinations: In-period adjustments (December 2024)
[4] See Cost change process decision document.
[5] See Cost change process guidance note and PR24 cost change process - demand growth investment additional guidance consultation
[6] The cost change process currently covers cyber security; additional schemes to ensure the safety of drinking water with respect to 'forever chemicals' (PFAS); asset health; growth; the large schemes gated process; Havant Thicket reservoir; and development costs for major projects.
[7] Page 24 of Cost change process decision document
[8] Defra, 'The government's strategic priorities for Ofwat', 28 March 2022.
[9] Welsh Government, 'Strategic Priorities and Objectives Statement to Ofwat issued under section 2B of the Water Industry Act 1991', 15 April 2026, which says that Ofwat should continue to act in accordance with the 'Strategic Priorities and Objectives Statement to Ofwat issued under section 2B of the Water Industry Act 1991' in July 2022.
[10] Protected landscapes include areas of outstanding natural beauty, national parks, and the Norfolk and Suffolk Broads.

impact of the requirements in their proposed design or will need to as a matter of course, in line with their statutory obligations, when they develop those schemes. Where our draft determinations provide funding for schemes, it is on a best value basis that we consider allows compliance with statutory obligations.

3. Executive Summary

3.1 Expenditure allowances

Thirteen companies submitted cost change claims in 2026. Three companies, Affinity Water, Portsmouth Water and South Staffs Water did not submit any claims. Overall, the draft determinations for the cost change process provide companies with £3.4 billion of additional expenditure allowances between 2025-35. This additional expenditure will allow companies to progress a number of significant statutory schemes, support economic growth and help ensure customers continue to receive safe, reliable water and wastewater services into the future.

For the 2025-30 period, this provides £1,247 million to safeguard services and assets for future generations; £477 million across the sector to meet growth and help to unlock housebuilding and data centre challenges and £34 million to manage the impact of 'forever chemicals' (PFAS) at specific treatment works, ensuring a reliable drinking water service. It includes £1,151 million of allowed expenditure to support continued progress to deliver:

- The strategically significant water resources schemes for Havant Thicket, Teddington Direct River Abstraction (DRA) and White Horse Reservoir schemes being developed through the Major Projects process.
- Specific statutory work for Southern Water addressing treatment work resilience, projects related to United Utilities' wider enhancement programme to improve water quality at Lake Windermere and the Bran Sands Long Sea Outfall project to address nutrient neutrality issues for the Teesmouth and Cleveland Coast Special Protection Area. These are being progressed in our Large gated scheme process.

Table 1: Draft determination sector expenditure allowed

	2025-35[11] (£m)
Expenditure in company submissions	4,285[12]
Expenditure with insufficient evidence of need or out of scope of cost change process	-752
Expenditure assessed for cost change	3,533
Ofwat 'best option' and efficiency challenge	-143
Ofwat draft determination cost change allowance	3,390

[11] Some expenditure within allowances is expected to be incurred in 2030-35 for deliverables. The overall amount is £223 million.
[12] Ahead of our draft determinations, Thames Water asked to withdraw expenditure from its submission. This expenditure is therefore excluded from the company submission total.

Companies' submissions included £4.3 billion of additional expenditure above the funding allowed at PR24. Where companies propose additional expenditure above that allowed at the price review (or Competition and Markets Authority (CMA) redetermination), they should be able to demonstrate that the proposed work is necessary, that they considered the most appropriate delivery option and that the work can be delivered efficiently.

Our assessment identified £752 million of expenditure associated with activities and outputs where evidence supporting the need for the investment was insufficient or expenditure was outside the defined scope of the cost change process. Almost three quarters of this expenditure relates to insufficient evidence of need with the remainder being out of scope. We also exclude any associated activities/ outputs linked to the expenditure. The cost change process is designed to provide certainty on funding for outputs and schemes but operates within a tightly defined scope, focused on pre-agreed priority areas. Companies may be able to seek funding for activities, such as wider resilience activities, currently not with the cost change process through future determinations[13].

Overall, around £3.5 billion[14] of proposed expenditure was assessed to be within the cost change process.

During our assessment, we engaged with companies to understand any gaps in the information provided and requested additional evidence where needed. We identified some gaps in elements of companies' optioneering and cost estimates. In some cases we reduced expenditure allowances to reflect this, leading to a £143 million reduction.

We recognise that the timetable for the cost change process is challenging and gathering the evidence to address issues takes time. Within the £3.4 billion of additional expenditure, we have included conditional expenditure. We have allowed companies additional time to provide the expected supporting evidence before final determinations.

This approach provides greater transparency of the funding companies are likely to receive at final determination. If a company does not provide the requested information, or if the evidence is insufficient, we may remove some or all of the conditional allowance at final determination.

Overall, the draft determination allows £3.4 billion of additional expenditure (including conditional expenditure), or 96% of proposed in scope expenditure.

Table 2 shows the total draft determination expenditure allowed for the 2026 cost change process and the resulting additional allowed revenue and RCV by company. We show how and

[13] To be included in future cost change processes, the scope of the process would need to be changed. Changes to the scope of the cost change process are made through changes to company licences to enable in-period changes to price controls.
[14] This includes growth expenditure of £259 million that was related to third party services, which is not to be funded by customers.

when this applies to price controls in the cost change draft determination for each company, which we publish alongside this document.

Table 2: Draft determination allowances by company

Company	Total cost change expenditure 2025-30 (£m)	Total in-period revenue allowed 2025-30 (£m)	Additional RCV recognised for 31 March 2030 (£m)
Anglian Water	129.098	0.000	114.629
Dŵr Cymru	0.840	0.000	0.000
Hafren Dyfrdwy	0.032	0.000	0.000
Northumbrian Water	443.954	0.000	431.801
Severn Trent Water	313.434	51.263	268.896
South West Water	179.890	0.000	167.863
Southern Water	687.610	161.950	555.540
Thames Water	301.156	63.940	266.313
United Utilities	715.903	0.000	668.380
Wessex Water	80.295	9.940	75.231
Yorkshire Water	27.210	0.000	25.308
South East Water	19.321	1.514	17.737
SES Water	10.288	0.000	9.861
Total	2,909.030	288.607	2,601.560

Ahead of our draft determinations, following engagement, we confirmed that we will amend future annual RCV update publications to include a separate line showing approved cost change process related RCV adjustments where relevant[15]. Further details are set out in section 5.

3.2 Funding expenditure allowances and customers' bills

Ultimately, any additional expenditure allowed through the Cost Change Process will need to be funded, increasing companies' allowed revenue. The process first determines whether additional expenditure is required and then determines when funding should be provided.

Funding can be provided **in-period,** meaning companies receive an increase in allowed revenue before the end of the current price control period. For this year, that would mean any impact on revenues and customer bills would begin from April 2027.

[15] This additional line will sit separately alongside the annually updated PR24 RCV figure. It will not represent an in-period adjustment to the RCV, and we will not combine the figures into a revised total RCV position.

Alternatively, if funding is not allowed in-period it will be provided at the **end of the period**, with companies' allowed revenues adjusted at the next price review to recover the additional expenditure that has been allowed.

As part of determining the need and level of in-period funding, we set an allowed return. Consistent with our guidance, we apply an allowed return equal to the CMA redetermined allowed return for Anglian Water, Northumbrian Water, Southern Water, Wessex Water and South East Water. For all other companies we apply the 2024 price review allowed return. Some companies argued for higher allowed returns. We did not agree with the reasons provided. This is discussed in annex 2.

Companies that request in-period funding are required to explain why this is appropriate taking into account factors such as delivery against their existing PR24 investment programme and the impact on company financing. We also recognise that expenditure related to delivering statutory schemes already agreed, such as Major Projects and large gated schemes, may require in-period funding because of the scale or timing of the investment.

- Three companies, Dŵr Cymru, Hafren Dyfrdwy and Yorkshire Water, did not request in-period revenue.
- United Utilities did not request in-period revenue this year, it proposed applying for in-period revenue adjustments once Ofwat completes changes to the licence for growth expenditure.
- Northumbrian Water initially requested in-period funding. However the company wrote to us in July 2026 to confirm that it wished to withdraw its request for in-period funding. It noted its profile of delivery was behind where it wanted and recognised the cost of living pressures on its customers. We welcome Northumbrian Water keeping its request under review and responding to its circumstances.

Eight companies requested in-period funding. For draft determinations, we do not provide in-period funding for three of those companies: Anglian Water, South West Water and SES Water. Some of their allowed expenditure, such as gravity sewer inspections, is not within scope for in-period funding for 2026. While some companies argued for in-period funding for growth this year, the licence does not allow in-period funding to be provided for this item this year. We do not provide in-period funding for allowed asset health expenditure for these companies, taking into account a number of factors, such as progress on delivery and financial constraints, in the round.

We allow some in-period funding for five companies: Severn Trent Water, Southern Water, Thames Water, Wessex Water and South East Water. This relates to expenditure for large gated schemes, major projects, PFAS and some asset health items. We do not provide in-period funding for all of the allowed expenditure for each of the items within these five companies' submissions. Allowed expenditure for growth and gravity sewer inspections is not within scope for in-period funding. We also do not provide in-period funding for some allowed asset health expenditure taking into account a number of factors, such as progress on delivery, in the round.

For all companies, any allowed expenditure not funded in-period will be reflected in allowed revenues from April 2030.

Table 3 provides an illustrative estimation of how cost change allowances funded in-period, could affect an average bill in 2027-28 and 2029-30.

Table 3: Average bill increase above the PR24 final determination / CMA redetermination due to cost change process[16,17]

Company	2027-28 £	2029-30 £
Severn Trent Water	3	5
Southern Water	43	37[18]
Thames Water	3	5
Wessex Water	4	7
South East Water	0	1

In practice, a range of factors influence whether actual bills increase or decrease each year, costs related to the cost change process will be just one of these factors, including inflation and existing price control adjustments. In our guidance[19], we noted that both the cost change process, and the process to determine in-period outcome delivery incentive (ODI) payments for 2025-26 might change companies' 2027-28 allowed revenue. These processes run in parallel, our final determinations for both the ODI payments and cost change process will be in December 2026[20]. We expected cost change submissions to show that companies have considered the total potential impact on allowed revenues, and any potential bill volatility, of both processes.

In their responses to the draft determination we expect Severn Trent Water, Southern Water, Thames Water, Wessex Water and South East Water to set out, or update, their consideration of the impact of the cost change and ODI payment processes on bill volatility, given concerns on the cost of living. This should take account of our draft determinations and their view of these and any other factors or changes since companies submitted their claims during the March to May 2026 window. This should take account of the latest view on progress on delivering existing investment programmes. This would also be expected of any companies

[16] This is the average bill increase for all customer classes as a result of our cost change decisions when compared to either the average bill from either the 2024 final determination or as determined by the Competition and Markets Authority. The bill increase for each customer class will be different.
[17] The impact will depend on company specific factors, in particular, the mix of end of period and in-period funding. For example, if all the costs allowed are recovered at the end of the period, there would be no impact on bills before 2030.
[18] The bill impacts broadly follow the natural profile of additional expenditure allowances. For Southern Water the additional operating expenditure allowed in 2029-30 is lower than the additional expenditure allowed in 2027-28. This results in a smaller bill impact in 2029-30 than 2027-28.
[19] [IN 26/01 Submission of cost change applications]
[20] Our final determinations will show the combined impact of the ODI payments and the cost change process.

who wish to renew their case for in-period funding having not received it in the draft determination.

3.3 Holding companies to account for the additional expenditure allowance

It is important for legitimacy that each company is held accountable for the additional allowed expenditure that customers will pay for.

One of the key ways in which we hold companies to account are price control deliverables (PCDs). PCDs set out the key outputs that companies are expected to deliver with the funding provided. These were first introduced at PR24 to hold companies to account, to be more transparent and to improve legitimacy.

The cost change process also uses PCDs, applied in a broadly similar way to PR24[21].

Where companies are allowed expenditure related to PFAS removal, asset health, growth and large gated schemes we include PCDs. Companies are seeking additional allowances above PR24 to deliver more. Therefore, we are putting in protections to make sure that this additional investment is ringfenced and gets delivered. If the additional investment is no longer required, PCDs will protect customers and claw back funding.

While most companies proposed some form of PCDs, in some instances, we intervened to ensure the PCDs covered all additional expenditure, to ensure consistency across companies or to adapt a PCD to reflect any challenge on need, scope or other challenge. We also adapt some PCDs to reflect the differing nature of the items the cost change process covers compared to PR24. We take bespoke approaches to holding companies to account for major project development costs and Havant Thicket. These are described in section 4.9.

We are not proposing to amend performance commitment levels (PCLs) to reflect additional funding as part of the 2026 cost change process. That approach may evolve in future cost change process submissions as the evidence on impacts on PCLs of additional expenditure develops.

[21] Our approach to PCDs was set out in the published cost change guidance notes, which were consistent with the approach used at PR24. The PCDs created or updated are set out in Cost change draft determinations 2026 – Price control deliverables appendix. We will monitor the delivery of these new PCDs through our delivery plan reporting. For further information, see our Delivery-plan-guidance_Feb-2025.pdf.

4. Expenditure allowed by cost area

4.1 Summary

Table 4 summarises the expenditure allowed by cost change category and by year.

Table 4: Draft determination cost change expenditure allowed by cost change category

Cost category	Expenditure allowed					
	2025-26 (£m)	2026-27 (£m)	2027-28 (£m)	2028-29 (£m)	2029-30 (£m)	Total (£m)
Asset Health	30.220	66.457	331.099	445.778	373.609	1,247.163
Growth	13.993	42.113	89.658	200.067	131.383	477.214
Cyber	0.000	0.000	0.000	0.000	0.000	0.000
PFAS	1.669	0.981	0.919	7.587	22.767	33.923
Large gated schemes	18.521	117.922	164.496	217.542	253.998	772.479
Major projects	40.727	68.882	197.736	22.045	1.516	330.906
Havant Thicket[22]	0.525 – 0.585	4.130 – 4.594	8.270 – 9.200	15.050 - 16.740	16.850 - 18.750	44.825 - 49.869
Total[23]	105.684	300.717	792.643	908.913	801.073	2,909.030

In sections 4.2 to 4.8 we summarise the expenditure allowed for each cost category, the criteria we used to assess submissions and our view of companies' submissions for each cost area.

4.2 Cost sharing rates for cost change activity

Where companies spend more or less than the amount we allowed, we apply cost sharing rates. These share the risk and benefits of over and underspend between customers and the companies. Cost sharing will apply to expenditure allowed through the cost change process.

[22] At this stage, we have identified a range for the additional efficient costs associated with the Havant Thicket project, reflecting both the Alignment Works and the redesign required following the discovery of unforeseen ground conditions. As the final allowance remains subject to completion of the established Cost Adjustment Mechanism (CAM2) process, expected in the coming months, we have included a conditional allowance based on the midpoint of the assessed range for the purposes of this draft determination. We will reflect the final CAM2 allowance in our final cost change determination.

[23] Total figures include allowed expenditure for Havant Thicket from the mid-point of the range as explained in section A4.4 of Cost Change Draft Determination 2026 – Southern Water, which we publish alongside this document.

The cost sharing rates (overspend : underspend) that will apply for companies for activity assessed as part of the cost change process are:

- 50:50 – For asset health[24]
- 40:40 – For growth at sewage treatment works (STWs), PFAS, cyber and water resources growth
- 25:25 – For enhanced engagement and large gated schemes.

These generally reflect the cost sharing rates which apply to PR24 final determinations. At PR24 we set cost sharing rates of 25:25 for PFAS contingent allowances. We now consider that it is appropriate for PFAS to have 40:40 cost sharing rates, in common with most other enhancement projects. Companies have a much greater understanding of the requirements of, and costs associated with, addressing PFAS issues than they did during the PR24 process.

4.3 Asset health

In our draft determinations, we have allowed £1,247 million for asset health in 2025-30. We have assessed companies' asset health claims in line with the following guidance:

- Appendix A3 of the Cost Change Guidance Note, published in November 2025;
- Asset Health Assessment Guidance, published in December 2025; and
- Gravity sewers assessment guidance, published in February 2026.

In making our draft determinations we have:

- considered sector wide asset condition for the priority asset classes within scope of the process;
- considered what base buys and assessed each company's what base buys analysis for investment proposals submitted through the PR24 cost change process; and
- considered how company proposals for asset health expenditure fit within the definition of what is included in the asset health reopener (scope boundaries).

Further details on our approach to assessing asset health claims are set out in the Cost Change Draft Determinations 2026 – Asset health cross cutting issues appendix.

Our assessment of, and decisions on, each company's asset health claims are set out in each company's Cost Change Draft Determination 2026 – which we publish alongside this document. Our sector assessment of gravity sewer inspection costs and gravity sewer rehabilitation unit costs is set out in Cost Change Draft Determinations 2026 – Asset health cross cutting issues appendix.

[24] See also section 4.4 below for details of our underspend clawback approach

Table 5 sets out our draft determination allowed expenditure for asset health by company and by year for the 2025-30 period and at a total level for 2030-35.

Table 5: Draft determination asset health cost change expenditure allowed

Company	Expenditure allowed						
	2025-26 (£m)	2026-27 (£m)	2027-28 (£m)	2028-29 (£m)	2029-30 (£m)	Total (£m)	2030-35 (£m)
Anglian Water	0.000	0.000	6.245	11.262	8.810	26.318	0.000
Dŵr Cymru	0.000	0.420	0.420	0.000	0.000	0.840	0.000
Hafren Dyfrdwy	0.000	0.016	0.016	0.000	0.000	0.032	0.000
Northumbrian Water	11.317	14.966	55.175	76.087	84.053	241.598	85.786
Severn Trent Water	18.903	46.937	82.228	56.570	53.308	257.946	15.696
South West Water	0.000	0.000	45.501	84.015	40.065	169.581	0.000
Southern Water	0.000	1.417	33.519	50.277	59.576	144.789	0.000
Thames Water	0.000	1.418	5.671	0.000	0.000	7.089	0.000
United Utilities	0.000	1.283	76.784	136.000	91.644	305.711	0.000
Wessex Water	0.000	0.000	14.529	19.317	21.917	55.763	0.000
Yorkshire Water	0.000	0.000	9.274	11.200	6.737	27.210	0.000
South East Water	0.000	0.000	0.000	0.000	0.000	0.000	0.000
SES Water	0.000	0.000	1.739	1.050	7.500	10.288	0.000
Total	30.220	66.457	331.099	445.778	373.609	1,247.163	101.481

Table 6 sets out our draft determination allowed expenditure for asset health by cost category for the 2025-30 period and at a total level for 2030-35.

Table 6: Draft determination asset health cost change expenditure allowed by sub-category

Cost category	Expenditure allowed						
	2025-26 (£m)	2026-27 (£m)	2027-28 (£m)	2028-29 (£m)	2029-30 (£m)	Total (£m)	2030-35 (£m)
Network storage	18.431	37.149	113.645	174.593	136.178	479.996	63.736
Boreholes	1.295	5.719	21.414	35.357	25.654	89.439	24.730
Rapid gravity filters	0.000	0.073	8.685	17.795	8.957	35.511	0.000
Activated sludge	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Gravity sewers	8.121	20.272	146.913	158.715	164.592	498.612	0.000
Settlement tanks	1.791	1.482	4.524	9.589	8.578	25.964	6.656
Trickle filters	0.582	1.762	35.919	49.727	29.651	117.641	6.360
Total	30.220	66.457	331.099	445.778	373.609	1,247.163	101.481

4.4 Protecting customers from paying twice

PR24 Final Determination base allowances were set to provide companies with sufficient funding to maintain and improve their asset health. A request for additional asset health investment under the cost change process implies that a company does not consider that its existing base allowance under the PR24 final determinations is sufficient for it to comply with its obligations. We would, therefore, not expect companies to underspend their existing PR24 base allowances while receiving additional asset health allowances under the cost change process.

To protect customers from paying twice for asset health improvements we will implement a clawback of underspend on PR24 base allowances, up to the full value of the additional asset health allowance provided through the cost change process. We will also, in any event, clawback any underspend of additional asset health allowances provided through the cost change process. After that, standard cost sharing rates will apply. This will require companies to first use any underspend from existing base allowances to fund asset health work. Further details on how this approach would be applied is set out in annex 3.

4.5 Large gated schemes

We received six claims for large gated schemes from four companies. In our draft determination, we have allowed £772 million for large gated schemes in 2025-30.

We have assessed companies' large gated scheme claims in line with the requirements set out in appendix A5 of our Cost Change Guidance Note, published in November 2025. Our assessment of, and decision on, these claims is set out in each company's Cost Change draft determination 2026, which we publish alongside this document.

Table 7 to sets out our draft determination allowed expenditure for large gated schemes by company and by year.

Table 7: Draft determination large gated schemes' cost change expenditure allowed

Company	Expenditure allowed					
	2025-26 (£m)	2026-27 (£m)	2027-28 (£m)	2028-29 (£m)	2029-30 (£m)	Total (£m)
Northumbrian Water	0.000	0.000	6.902	75.473	119.982	202.356
Southern Water	10.253	89.822	119.553	120.886	118.125	458.638
Thames Water	0.000	0.000	0.000	0.000	0.000	0.000
United Utilities	8.268	28.101	38.042	21.184	15.891	111.485
Total	18.521	117.922	164.496	217.542	253.998	772.479

4.6 Growth

We received seven claims for growth from five companies. In our draft determinations, we have allowed £477 million for growth in 2025-30.

We have assessed companies' growth claims in line with the requirements of appendix A6 of our Cost Change Guidance Note, published in November 2025, and the Demand Growth Investment Additional Guidance, published in February 2026. As outlined in our guidance, we can only consider 2026 growth submissions for end of period funding. However, we are currently consulting on licence modifications to allow companies to make in-period claims for growth expenditure from the 2027 submissions window.

Our assessment of, and decisions on, each company's growth claims are set out in each company's Cost Change draft determination 2026 document.

4.6.1 Growth at sewage treatment works

At PR24, we triangulated between two scheme-level econometric models to set efficient enhancement allowances for growth at STWs. The key drivers of both models were process capacity added to meet current and expected quality permits, expected change in Dry Weather Flow (DWF) and a dummy variable for ammonia permits <3mg/l. For this cost change process, we have used the PR24 growth at STWs econometric model to inform our assessment of cost efficiency.

Cost efficiency relative to the PR24 benchmark was assessed at both scheme and programme level. We deep dived schemes that were either identified as material outliers from the benchmark or inherently unsuitable to model (for example expanded PR24 funded growth schemes). We conducted an engineering deep dive assessment of these schemes, which are set out in detail in each company specific document, and applied adjustments to allowances based on the outcome of these assessments.

For non-outlier schemes, where requested costs at both scheme and programme level (excluding outliers) were efficient relative to the benchmark, we have allowed requested costs. Where requested costs at a programme level were above the benchmark, we have applied a programme level cost challenge to align requested costs with our benchmark. As we are relying on the PR24 benchmark rather than re-specifying the PR24 Growth at STWs econometric models, we consider it appropriate to apply cost challenges at a programme level rather than relying on individual scheme modelled costs.

Dry weather flow compliance

Consistent with our approach at PR24, our expectation for cost change submissions is that companies meet existing DWF and flow-to-full treatment (FFT) permit levels through base expenditure allowances. Any non-compliance with existing permit conditions should be addressed by companies, and we do not expect customers to pay for this through additional enhancement allowances. The Environment Agency and Natural Resources Wales set and monitor DWF and FFT permits. DWF compliance is assessed using a '3-in-5 year' methodology. Under this methodology, sites will be compliant with their DWF permit conditions unless the Q90 permit limit was exceeded in the compliance assessment year, and two or more exceedances have occurred in the preceding four years.

At PR24, we used the '3-in-5 year' methodology based on 2023 data to assess DWF compliance and determine the schemes that might overlap with base compliance expenditure. A post-modelling adjustment to exclude DWF non-compliance costs was applied to all companies that did not provide assurance that they excluded DWF compliance remediation costs from requested growth at STWs expenditure.[25]

In their cost change submissions, companies used different data periods to assess DWF compliance. The differences in approach highlighted the sensitivity of the '3-in-5 year' methodology to the data window used, particularly where individual years are unusually dry or wet. We want to protect customers from funding compliance expenditure for sites that meet the compliance test in the assessment year but have historical exceedances for which the underlying cause may not have been addressed. We have therefore decided to update our methodology such that a DWF cost adjustment will be applied to sites that exceed the Q90 permitted limit in any of the three years within the five-year data period. At the time of preparing the draft determinations, 2024 DWF data was the latest available to us. We expect to use 2025 DWF data for the final determinations.

We recognise that companies may have undertaken remediation actions to address historic exceedances and therefore bring sites back to compliance. In line with our PR24 approach, we will not apply a DWF cost adjustment where companies can provide evidence of the activities undertaken to address exceedances and the expenditure associated with these activities.

4.6.2 Water demand growth

We received one claim from United Utilities for an integrated potable water supply solution to meet emerging data centre demand. The proposed solution comprises investment in strategic source, treatment and network and site-specific connection infrastructure. We recognise the importance of supporting digital infrastructure, and that water availability is important to the feasibility of these projects, particularly where the cooling technology selected creates material water requirements. We would also encourage companies to

[25] More detail on how this adjustment was calculated at PR24 is provided in section 5.6.4 of our PR24 final determinations expenditure allowances – enhancement cost modelling appendix

engage with prospective data centre proposals to promote use of water efficient technologies.

We have assessed the strategic source and treatment components of the proposal in line with our approach at PR24 for Water Resources Management Plan (WRMP) type enhancement expenditure. We accept costs related to shared-developer network connections, but do not assess cost efficiency as it is outside the scope of the cost change process. Investment in site-specific connections for data centres is outside the scope of price controls as revenue is recovered from the third-party. Where expenditure is funded through the cost change process this will be reflected in price limits. However, we do not expect the generality of customers to bear the risk associated with investment that is primarily driven by third-party demand, with customer benefit being resilience in nature. Cost recovery will therefore need to be agreed with the third-party. To protect customers from financing risk for the strategic source investments, we propose to apply a two-stage PCD that tracks output delivered (megalitres per day) and revenues recovered from the third-party.

We also received one claim from United Utilities for a non-potable water supply solution to meet industry demand. We consider the proposal relates to third-parties services because it relates to dedicated non-potable infrastructure for identifiable industrial customers. As project costs are expected to be recovered directly from the third-party, we do not assess cost efficiency.

Ringfencing third party costs will protect the generality of customers from potentially funding assets that could be stranded should the developments not go ahead or if there are delays in the costs being covered from the relevant third parties. It also ensures that United Utilities can retain the revenue it receives from those third parties for the costs it incurs, even though it expects to recover those costs over a longer period than normal.

United Utilities identified some issues with how the existing PR24 cost reconciliation mechanism for third party services allows recovery of costs and revenue where activity levels differ to that forecast. We propose to implement some changes to this, to ensure it works as intended through to 2030. We will also ensure that there is an appropriate mechanism to allow United Utilities to retain revenue recovered from the relevant third parties from 2030 onwards to recoup the costs already incurred. However, we do not consider that it is appropriate for other customers to bear the risk of funding this investment if the costs are not recovered from the relevant third parties.

South East Water submitted a claim for investment to address an identified need for additional water to support housing growth in the West Kent region. While the submission did not meet our evidential requirements to support an assessment in full, the need for investment was evidenced and the submission identified solutions to meet both short-term and long-term demand requirements. Given the greater certainty and urgency associated with the solutions identified to meet short-term demand constraints, we propose to conditionally fund these schemes at draft determinations. This is conditional on South East

Water addressing the evidence gaps we have identified in our detailed assessment ahead of final determinations.

When setting expenditure allowances, we want customers to get value for money and for companies to receive sufficient funding to deliver necessary investment. We consider the cost estimates provided in South East Water's submission for the short-term schemes are not sufficiently developed to support setting an allowance based on the requested costs. We have therefore set an allowance based on Ofwat's PR24 water supply enhancement unit cost benchmark, applying a unit cost rate based on comparable PR24 schemes. To provide customer protection given the cost uncertainty, we propose an output-based PCD for this expenditure and apply enhanced cost sharing rates of 25:25.

Table 8 to sets out our draft determination allowed expenditure for growth by company by year for the 2025-30 period and at a total level for 2030-35.

Table 8: Draft determination growth cost change expenditure allowed

Company	Expenditure allowed						
	2025-26 (£m)	2026-27 (£m)	2027-28 (£m)	2028-29 (£m)	2029-30 (£m)	Total (£m)	2030-35 (£m)
Anglian Water	0.000	0.000	23.873	43.950	34.956	102.780	0.000
Dŵr Cymru	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Hafren Dyfrdwy	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Northumbrian Water	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Severn Trent Water	13.993	29.889	9.390	1.203	1.013	55.488	0.000
South West Water	0.000	0.000	1.392	8.814	0.103	10.309	0.000
Southern Water	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Thames Water	0.000	0.000	0.000	0.000	0.000	0.000	0.000
United Utilities	0.000	5.604	51.692	146.100	95.311	298.707	17.633
Wessex Water	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Yorkshire Water	0.000	0.000	0.000	0.000	0.000	0.000	0.000
South East Water	0.000	6.620	3.310	0.000	0.000	9.930	0.000
SES Water	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total	13.993	42.113	89.658	200.067	131.383	477.214	17.633

Table 9 sets out our draft determination allowed expenditure for growth by sub-category and by year at a sector level for the 2025-30 period and at a total level for 2030-35.

Table 9: Draft determination growth cost change expenditure allowed by sub-category

Cost category	Expenditure allowed						
	2025-26 (£m)	2026-27 (£m)	2027-28 (£m)	2028-29 (£m)	2029-30 (£m)	Total (£m)	2030-35 (£m)
Sewage treatment works	13.993	34.128	72.022	152.497	105.125	377.766	15.636
Network reinforcement	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Supply demand balance	0.000	7.984	17.636	47.569	26.258	99.448	1.997
Bioresources	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total	13.993	42.113	89.658	200.067	131.383	477.214	17.633

4.7 Cyber

We received one claim for cyber from South West Water for £12.5 million. In our draft determination we allow £0 million for South West Water's cyber claim.

We recognise the pace of change in cyber security and that South West Water's claim attempts to anticipate changes in legislation and guidance. However, given the uncertainty about what any legislation or guidance may require we consider that the claim as presented could result in inefficient or ineffective investment. It could potentially risk not meeting the requirements of any new legislation, guidance or threat levels that may come.

We expect to engage with South West Water to help understand what is needed to progress this claim both in this cost change window and future ones. As referred to above cyber security is an ongoing risk to the sector and we expect all companies to react and invest as necessary. This includes prioritising and maximising the benefit from the significant uplift in funding companies have already received during PR24 (both as enhancement and base) and utilising cost sharing where necessary.

Our assessment of, and decision on, this claim is set out in South West Water's Cost Change draft determination 2026, which we publish alongside this document.

4.8 PFAS

We received claims for PFAS from two companies, Wessex Water and South East Water. In our draft determination, we have allowed £34 million for PFAS in 2025-30.

We have assessed companies' PFAS claims in line with the requirements set out in section A2 of our Cost Change Guidance Note. Our assessment of, and decision on, these claims is set out in the Cost Change draft determinations 2026 for these companies, which we publish alongside this document.

Table 10 sets out our draft determination allowed expenditure for PFAS by company by year for the 2025-30 period and at a total level for 2030-35.

Table 10: Draft determination PFAS cost change expenditure allowed

Company	Expenditure allowed						
	2025-26 (£m)	2026-27 (£m)	2027-28 (£m)	2028-29 (£m)	2029-30 (£m)	Total (£m)	2030-35 (£m)
Anglian Water	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Dŵr Cymru	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Hafren Dyfrdwy	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Northumbrian Water	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Severn Trent Water	0.000	0.000	0.000	0.000	0.000	0.000	0.000
South West Water	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Southern Water	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Thames Water	0.000	0.000	0.000	0.000	0.000	0.000	0.000
United Utilities	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Wessex Water	1.669	0.981	0.215	4.065	17.602	24.532	0.211
Yorkshire Water	0.000	0.000	0.000	0.000	0.000	0.000	0.000
South East Water	0.000	0.000	0.704	3.522	5.165	9.391	15.227
SES Water	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total	1.669	0.981	0.919	7.587	22.767	33.923	15.438

4.9 Major projects development costs and Havant Thicket

We received two claims for major projects development costs, from Thames Water and Southern Water. These claims are for the 2025-30 period. In our draft determination, we have allowed £331 million for major projects development costs.

We have assessed companies' major projects development cost claims in line with the requirements set out in appendix A7 of our Cost Change Guidance Note, published in November 2025.

Both companies provided sufficient and convincing evidence to demonstrate that they had met these criteria. Further information on this, our assessment and decisions are detailed in each company's Cost Change Draft Determination 2026 document.

Table 11 to sets out our draft determination allowed expenditure for major projects by company and by year.

Table 11: Draft determination major projects development costs cost change expenditure allowed

Company	Expenditure allowed					
	2025-26 (£m)	2026-27 (£m)	2027-28 (£m)	2028-29 (£m)	2029-30 (£m)	Total (£m)
Southern Water	0.000	0.000	35.207	0.865	0.766	36.838
Thames Water	40.727	68.882	162.529	21.180	0.750	294.068
Total	40.727	68.882	197.736	22.045	1.516	330.906

Havant Thicket is specific to Southern Water. The information to support its allowance will be included within Portsmouth Water's second cost adjustment mechanism draft decision, which we expect to publish in mid-September.

Holding companies to account on Major Projects and Havant Thicket

For major projects development costs, any unused funding will be returned to customers in full at the end of the 2025-30 period through the major projects end of period reconciliation model mechanism.

For Havant Thicket, bespoke mechanisms will hold Portsmouth Water to account for cost and delivery. An outcome delivery incentive date linked to the reservoir delivery programme, including an end-of-period adjustment, ensures performance is reflected in customer outcomes. Cost performance will be subject to totex sharing in line with our wider framework, providing incentives to control costs. A volumetric adjustment aligns funding to the outturn volume of water traded. Any unspent totex for reservoir construction will be returned to customers at the end of the period, subject to the cost sharing rates set as part of our Havant Thicket 2026 cost adjustment mechanism decision (due to published later this year). Together, these mechanisms protect customers and incentivise efficient delivery.

5. How cost allowances are funded

Any additional expenditure allowed through the Cost Change Process needs to be funded, increasing companies' allowed revenue.[26] We first determine whether additional expenditure is required and is in scope of the cost change process. We then determine when funding should be provided.

Funding can be provided **in-period,** meaning companies receive an increase in allowed revenue before the end of the current price control period. For this year, that would mean any impact on revenues and customer bills would begin from April 2027. Alternatively, funding is provided at the **end of the period**, with companies' allowed revenues adjusted at the next price review to recover the additional expenditure that has been allowed. Eight companies requested in-period funding.

- Dŵr Cymru, Hafren Dyfrdwy and Yorkshire Water did not request in-period funding.
- United Utilities did not request in-period revenue this year, it proposed applying for in-period revenue adjustments once Ofwat completes changes to the licence for growth expenditure.
- Northumbrian Water initially requested in-period funding. However, the company wrote to us in July 2026 to confirm that it wished to withdraw its request for in-period funding. It noted its profile of delivery was behind where it wanted and recognised the cost of living pressures on its customers.

Where companies do not request in-period funding, or where in-period funding is not provided, we will make an adjustment to RCV at the 2029 price review (PR29) and/or revenue allowances for the next price control period. Where we accept the companies' request for in-period funding, we will also make an adjustment to RCV at PR29.

5.1 Approach to assessing requests for in-period revenue

In our cost change guidance, we said the default expectation should be that expenditure funding is allowed at the end of the period rather than in-period. We only consider in-period revenue allowances if companies make a specific request in their submission and the claim for each individual cost area meets the materiality threshold (a net present value of at least 2% of the turnover of the regulated business).[27]

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[26] Totex allowances can be recovered from customers immediately through PAYG or added to the RCV and recovered over a longer period through RCV run-off. Generally, operating costs are recovered immediately whilst capital expenditure is recovered over the useful life of the investment. Where expenditure is added to the RCV, we provide an allowed return on that RCV to cover the cost of financing that investment.

[27] The materiality threshold only determines whether a claim is eligible for an in-period adjustment. A company can still access the cost change process, for an end of period adjustment, if none of its claims reach the materiality threshold.

Companies can seek in-period funding, but have to explain why this was appropriate taking into account:

- progress on delivering their existing PR24 investment programme; and
- the financial position of the notional company, including all additional allowed costs whether funded in-period or not.

Our assessment considers these factors in the round alongside the following:

- In-period revenue is not allowed for growth related expenditure in the 2026 cost change process, although this may be possible for 2027[28];
- For asset health items the licence requires we consider whether there is a sector wide asset condition issue;
- We previously stated that we would not allow revenue in-period for asset health expenditure related to surveying gravity sewers[29];
- the likelihood of investment to deliver solutions without in-period adjustments;
- Whether companies consider affordability for customers, bill volatility and include customer preferences or other forms of customer involvement; and
- Whether expenditure relates to delivering statutory schemes already agreed, such as PFAS, Major Projects[30] and large gated schemes and may require in-period funding because of the scale or timing of the investment.

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

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

We explain our approach to assessing progress on delivery, financeability and our assumptions on the allowed return in more detail in annex 2.

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

[29] Ofwat, 'PR24 Cost change process: Gravity sewers investment assessment guidance' February 2026. Page 9 of our guidance set out that "Any adjustments to allowances for increased gravity sewer inspections will be agreed through the cost change process, but only made end-of-period.

[30] In Cost-change-process-guidance-note.pdf we said that companies should only access he cost change process for major project development costs if they required in-period funding

5.2 Our assessment for in-period revenue

Our decisions reflect the outcome that we consider is best calculated to meet our statutory duties, in particular the objectives of securing that companies are able to finance the proper carrying out of their functions (and raise the necessary finance efficiently) and protecting the interests of customers (particularly by avoiding unnecessary bill volatility).

We provide in-period revenue allowances for expenditure related to:

- the Havant Thicket reservoir and major projects;
- large gated schemes that were envisaged in the PR24 final determinations; and
- schemes required to fulfil statutory obligations related to PFAS.

United Utilities and Northumbrian Water did not request in-period revenue this year for any items, including expenditure related to gated schemes.

For draft determinations, we do not provide in-period funding for three companies who requested it: Anglian Water, South West Water and SES Water. Some of their allowed expenditure, such as for growth and gravity sewer inspections, is not within scope for in-period funding for 2026. We do not provide in-period funding for allowed asset health expenditure for these companies, taking into account a number of factors, such as progress on delivery and financeability constraints, in the round.

We allow some in-period funding for five companies: Severn Trent Water, Southern Water, Thames Water, Wessex Water and South East Water. This relates to expenditure for large gated schemes, major projects, PFAS and some asset health items. This funding will enable companies to progress these schemes during the current price control period. We do not provide in-period funding for all of the allowed expenditure of each of these five companies. Allowed expenditure for growth and gravity sewer inspections is not within scope of in-period funding. We also do not provide in-period funding for some allowed asset health expenditure taking into account a number of factors, such as progress on delivery, in the round.

For expenditure related to asset health claims, decisions on in-period funding are taken in the round drawing on the factors stated above, including whether a company is delivering its existing investment programme. For our final determinations, we will also consider the expenditure information in companies' 2025-26 Annual Performance Reports (APRs), published in July.

In making our assessment/ allowance for in-period revenue, we apply an allowed return equal to the CMA redetermined allowed return for Anglian Water, Northumbrian Water, Southern Water, Wessex Water and South East Water. For all other companies we apply the 2024 price review allowed return (see annex 2).

Table 12 below summarises the in-period revenue allowed for the draft determinations.

Table 12: Draft determination total in-period revenue allowed by company

Company	In-period revenue allowed				Summary
	2027-28 (£m)	2028-29 (£m)	2029-30 (£m)	Total revenue allowance (£m)	
Anglian Water	0.000	0.000	0.000	0.000	We do not provide in-period revenue
Dŵr Cymru	0.000	0.000	0.000	0.000	Did not request in-period funding revenue
Hafren Dyfrdwy	0.000	0.000	0.000	0.000	Did not request in-period funding revenue
Northumbrian Water	0.000	0.000	0.000	0.000	Withdrew its request for in-period revenue.
Severn Trent Water	13.352	17.217	20.694	51.263	We provide in-period revenue for asset health
South West Water	0.000	0.000	0.000	0.000	We do not provide in-period revenue
Southern Water	62.478	45.201	54.271	161.950	We provide in-period revenue for major projects, large gated schemes and Havant Thicket.
Thames Water	15.846	24.980	23.114	63.940	We provide in-period revenue for major projects and large gated schemes.
United Utilities	0.000	0.000	0.000	0.000	Did not ask for in-period revenue this year
Wessex Water	5.120	-3.082	7.903	9.940	We allow in-period funding.
Yorkshire Water	0.000	0.000	0.000	0.000	Did not request in-period funding
South East Water	0.245	0.528	0.741	1.514	We provide in-period funding for PFAS.
SES Water	0.000	0.000	0.000	0.000	We do not provide in-period revenue
Total	97.040	84.845	106.722	288.607	

Details of our assessment for each company are set out in the company specific documents and models published alongside this document.

Consistent with our cost change guidance[31], we expect Severn Trent Water, Southern Water, Thames Water, Wessex Water and South East Water to set out, or update, their consideration of the impact of both the cost change and ODI payment processes in their responses to the draft determination. This should take account of our draft determinations and its view of this and any other factors or changes since companies submitted their claims during the March to May 2026 window. This should take account of the latest view on progress on delivering existing investment programmes.

[31] IN 26/01 Submission of cost change applications

We would also expect any company, that wishes to renew its case for in-period funding, having not received it in the draft determination, to provide this analysis.

Our decisions on in-period revenue determine the timing of funding for additional allowed expenditure. Absent in-period funding, companies will receive funding for allowed expenditure at the next price review.

Companies could also seek in-period funding for allowed expenditure in future cost change submissions. For example, expenditure for growth was not eligible for in-period funding this year but should be for 2027 submissions. Equally a company may be able to demonstrate that it has caught up with delivery of its existing investment programme in future years. In each case we would consider it in the round against the factors set out above.

5.3 Recognising cost change adjustments to the RCV in-period

As part of the cost change process we publish any approved cost change related RCV adjustments. These adjustments are formally applied to the RCV at the next price review. Our engagement with companies ahead of cost change submissions identified some concerns that approved cost change related RCV adjustments would not be recognised in-period in the annual RCV update. Some companies explained that this could create challenges in discussions with investors, lenders and credit rating agencies.

We engaged with companies and credit rating agencies to better understand these concerns and consider whether there was a proportionate way to provide additional visibility of approved cost change related RCV adjustments without changing the underlying reconciliation framework.

In light of this, we confirmed to companies that we will amend future annual RCV update publications to include a separate line showing approved cost change process related RCV adjustments where relevant. This additional line will sit separately alongside the annually updated PR24 RCV figure.

The publication will make clear that other reconciliation mechanisms may increase or decrease RCV over time and that the additional line should not be interpreted as a fully reconciled in-period RCV position.

In light of this, we confirmed to companies that we will amend future annual RCV update publications to include a separate line showing approved cost change process related RCV adjustments where relevant. This additional line will sit separately alongside the annually updated PR24 RCV figure. It will not represent an in-period adjustment to the RCV, and we will not combine the figures into a revised total RCV position.

Table 13: Draft determination additional RCV by company

Company	RCV midnight adjustment applied at 31 March 2030[32] (£m)
Anglian Water	114.629
Dŵr Cymru	0.000
Hafren Dyfrdwy	0.000
Northumbrian Water	431.801
Severn Trent Water	268.896
South West Water	167.863
Southern Water	555.540
Thames Water	266.313
United Utilities	668.380
Wessex Water	75.231
Yorkshire Water	25.308
South East Water	17.737
SES Water	9.861
Total	2,601.560

[32] The additional RCV balance as at 31 March 2030 will be added to the company's RCV as a midnight adjustment at PR29. We will show the in-period impact of the cost change process on RCV in-period in the annual RCV update models.

A1 Annex 1: Our statutory duties

Our statutory duties require us to set price controls in the manner we consider is best calculated to:

- further the consumer objective to protect the interests of existing and future consumers, wherever appropriate by promoting effective competition;
- secure that water companies properly carry out their functions;
- secure that the companies are able (in particular, by securing reasonable returns on their capital) to finance the proper carrying out of those functions; and
- further the resilience objective which is to secure the long-term resilience of companies' systems, and that companies take steps to enable them, in the long term, to meet the need for water supplies and wastewater services.[33]

We also have secondary duties that require us to set price controls in a way we consider will best promote economy and efficiency on the part of companies, as well as contribute to the achievement of sustainable development. In addition, we must have regard to the principles of best regulatory practice, including that our regulatory activities should be transparent, accountable, proportionate, consistent, and targeted.

Growth Duty

When exercising most of our regulatory functions in relation to England, we have a duty to have regard to the desirability of promoting economic growth. In doing so, we must, in particular, consider the importance of ensuring that:

- regulatory action is taken only when needed; and
- any action taken is proportionate.[34]

We must also have regard to the statutory guidance issued by the UK government, which includes a non-exhaustive list of behaviours of smarter regulation.[35]

Public sector equality duty

As a public authority we have a duty to have due regard to the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010, and to advance equality of opportunity, and foster good

[33] The general statutory duties for most of our work as an economic regulator that we summarise here are set out in section 2 of the Water Industry Act 1991.
[34] The duty summarised here is set out in section 108 of the Deregulation Act 2015.
[35] Department for Business & Trade, 'Statutory guidance: Growth duty', 21 May 2024.

relations, between persons who share a relevant protected characteristic and persons who do not.[36]

General environmental duties

In addition to general environmental and recreational duties set out in section 3 of the Water Industry Act 1991, Ofwat and companies must each discharge various other duties that apply to public bodies generally. These include, in summary, duties:

- to take such action as we consider appropriate to further the objective of the conservation and enhancement of **biodiversity** in England through the exercise of functions in relation to England and to seek to maintain and enhance biodiversity in the exercise of functions in relation to Wales, and in so doing promote **the resilience of ecosystems**, so far as may be consistent with the proper exercise of those functions;[37]
- to have regard to the requirements of the **Habitats Directive** and the **Wild Birds Directive** so far as they may be affected by the exercise of our functions;[38]
- in exercising or performing any functions in relation to, or so as to effect, land in a **protected landscape**, to "seek to further" (England) or "have regard to" (Wales) the purpose of conserving and enhancing the natural beauty of the protected landscape and, in relation to some protected landscapes, other purposes including conserving and enhancing the wildlife and cultural heritage of the protected landscape;[39]
- to take reasonable steps, consistent with the proper exercise of our functions, to further the conservation and enhancement of the flora, fauna or geological or physiographical features by reason of which a **site is of special scientific interest**;[40] and
- in exercising functions so far as affecting a river basin district, to have regard to the **river basin management plan** for that district.[41]

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[36] The duty summarised here is set out in section 149 of the Equality Act 2010.
[37] The duties summarised here are set out in section 40 of the Natural Environment and Rural Communities Act 2006 and section 6 of the Environment (Wales) Act 2016.
[38] The duty summarised here is set out in regulation 9(3) of the Conservation of Habitats and Species Regulations 2017.
[39] The duties summarised here are set out in section 85 of the Countryside and Rights of Way Act 2000 (in relation to land in areas of outstanding natural beauty), section 11A of the National Parks and Access to the Countryside Act 1949 (in relation to land in a National Park) and section 17A of the Norfolk and Suffolk Broads Act 1988 (in relation to land in the Broads).
[40] The duty summarised here is set out in section 28G of the Wildlife and Countryside Act 1981.
[41] The duty summarised here is set out in regulation 33 of the Water Environment (Water Framework Directive) (England and Wales) Regulations 2017.

A2 Annex 2: Assessing in-period funding

This annex provides further details of how we assessed the need for in-period funding, focused on assessing progress of delivery and financeability, including our assumptions on the allowed return.

A2.1 Assessing progress on Delivery

Our asset health and growth reopener related guidance requires companies to provide sufficient and convincing evidence that AMP8 (PR24) investment is on track to be delivered in full by the end of the 2025-30 period.[42] It also states that companies could provide evidence submitted through delivery plans, and evidence of plans on how existing PR24 capital maintenance allowances will be invested continually alongside the proposed investment.[43]. Furthermore, our cost change process guidance requires companies to show progress against delivery of existing programmes and against totex allowances for in-period adjustment claims[44].

Our assessment, set out below, considers the evidence that companies provided to demonstrate that the investment committed at PR24 is on track to be delivered in full by the end of the 2025-30 period, along with delivery performance in 2025-26.

This assessment informs our decision on in-period adjustment requests. We have not used our delivery assessment to inform our assessment of end of period adjustments. We consider that customers will be protected from companies not delivering their PR24 programme in full by the end of 2025-30 period through our PR24 price control deliverables (PCDs) and through the additional protection we are proposing to introduce for companies receiving additional funding to improve asset health. This additional protection will claw-back any unspent base allowances up to the amount of the additional funding (see further details in section 4 of Cost change draft determinations 2026 – Price control deliverables appendix).

A2.1.1 Assessing 2025-30 delivery

We used the information companies provided in their May 2026 delivery plan update reports to assess whether companies are on track to deliver their PR24 commitments. Delivery plans provide information in relation to outputs, expenditure and interim milestones for the areas

[42] Ofwat, Asset health investment assessment guidance, December 2025, p.20; and Ofwat, Demand growth investment additional guidance, February 2026, p.23.
[43] Ofwat, Demand growth investment additional guidance, February 2026, p.23.
[44] Ofwat, Cost change process guidance note, November 2025, p.7.

of expenditure where companies have price control deliverables (PCDs) [45]. The May 2026 update submitted by companies is provisional. Companies are due to publish their assured delivery plan update on 17 August 2026. We will consider these assured updates for our final determination.

PCDs cover circa 40% of expenditure allowances in PR24. We consider that this should give us a good indication on whether companies are on track to deliver their PR24 commitments.

We supplemented this information with the commentary companies provided through their delivery plan reporting and the meetings we held with the companies for whom we had identified issues.

To inform our view of 2025-30 delivery we followed a similar approach to the one set out in our draft delivery plan assessment framework[46]. This is an 'in the round' assessment of the quantitative and qualitative evidence provided by companies in their delivery plan update, and any additional evidence provided through our targeted engagement with companies and other stakeholders.

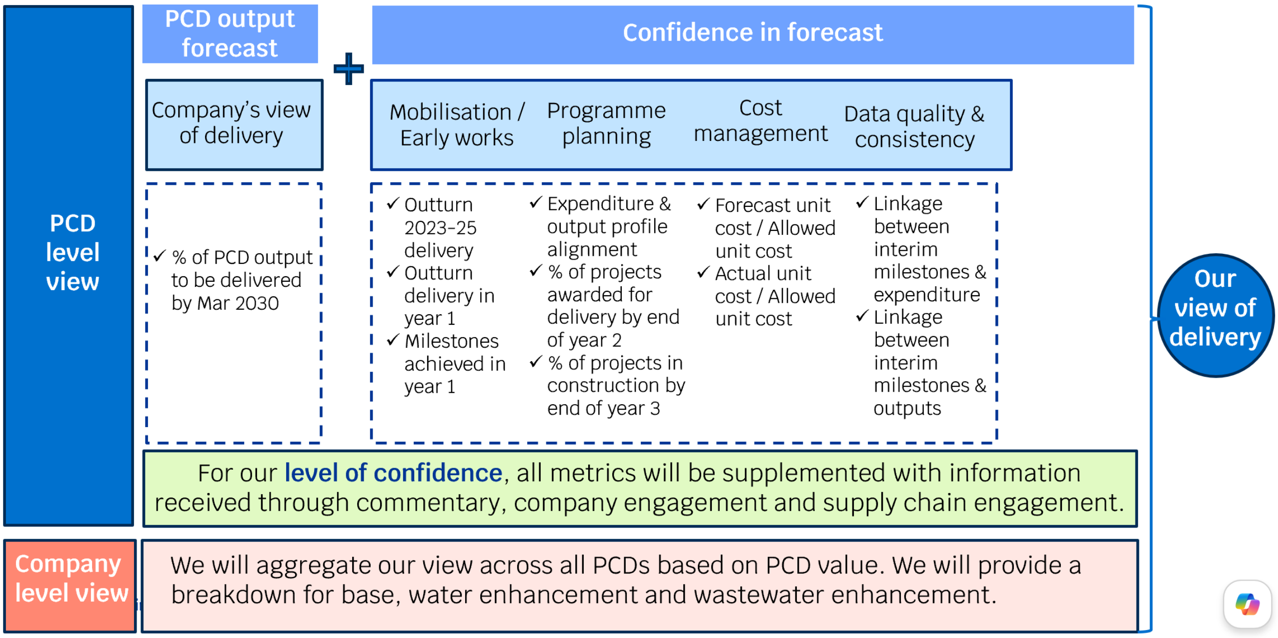
This approach is illustrated in the figure below. It shows the metrics we have considered to inform our view of delivery. These include:

- Outturn delivery in year 1 (including transitional period)
- Expenditure profile forecast across 2025-30 period
- Percentage forecast of projects awarded to supply chain for delivery by 2026-27
- Percentage forecast of projects in construction or delivered by end of 2027-28

[45] Companies are required to submit two delivery plan updates every year on an unassured basis, one in November and another one in May. Companies are also required to submit and publish a third-party assured delivery plan update once a year, the first one being due on 17 August 2026.
[46] See Section 4.

- Data quality and consistency

Figure A2.1: Delivery plan assessment framework



We have not been able to consider red, amber, green (RAG) ratings from third-party assurers for the draft determination as these are not due to be provided until 17 August 2026.

For the cost change process, we place greater weight on outturn delivery in year 1 to inform our view of delivery for the whole 2025-30 period. At this early stage of delivery, this outturn delivery is the strongest evidence to assess delivery progress.

We aggregated our view of delivery across different PCDs for water and wastewater based on expenditure allowances. This means that PCDs with larger expenditure allowances carry more weight than those with smaller expenditure allowances in our assessment of 2025-30 delivery.

We assessed delivery separately for water and wastewater PCDs but considered performance across water and wastewater in the round to form an overall view of 2025-30 delivery.

We set out the outcome of our 'in the round' assessment for each company submitting a cost change process claim in the company notification letter.

A2.1.2 Assessing delivery in 2025-26

We also used information from the May 2026 delivery plans to assess delivery performance in 2025-26. This information shows how many PCD outputs each company delivered compared to the baseline output for year 1.

Our assessment considered the value delivered. We calculate this by multiplying the units of output delivered in 2025-26 by the allowed unit cost as per our PR24 final determinations. This allows us to aggregate value across PCDs.

In accordance with our approach to assessing 2025-30 delivery, we carried out our assessment of year 1 delivery performance separately for water and wastewater, but then considered this 'in the round' to form an overall view of delivery in 2025-26.

We set out our assessment of year 1 delivery performance for each company in the company notification letter.

A2.2 Assessing financeability

All companies that requested in-period revenue adjustments provided some form of financeability assessment based on their submissions. In most cases, financeability was stated as a key reason for requesting in-period revenue adjustments.

Our financeability approach is based on our assessment of the allowed expenditure including conditional expenditure. Our approach is designed to assess whether revenues, relative to efficient costs, are sufficient for a company with the notional capital structure to finance its investment on reasonable terms, while protecting the interests of customers now and in the long term.

Consistent with the PR24 final determinations, we assessed financeability at appointee level for all companies by reference to an efficient company with the notional capital structure, such that the financial metrics in our determinations are compatible with a credit rating that is comfortably at least two notches above the minimum investment grade. Our assessment was carried out using a copy of the final determination financial model. It included all additional allowed expenditure whether funded in-period or not, following the financeability approach at PR24.

We have considered a suite of cash flow and debt financial metrics in our assessment. We focussed primarily on adjusted interest cover, funds from operations to net debt and the level of regulatory gearing. We considered average financial metrics over the price control period and also how ratios were forecast to move over time. We considered these financial metrics 'in the round', such that a weaker ratio in one year or overall may be offset by other stronger metrics elsewhere.

Consistent with PR24 final determinations, we applied equity solutions to our draft determinations by applying new equity in any year where gearing deviated materially above the opening level of notional gearing. For modelling purposes we set this at being higher than 57.5%. Where gearing was above this level, we assumed sufficient new equity to return gearing to the notional level of 55%. Where this resulted in a requirement for more equity than was provided for in final determinations, we have provided an allowance of 2.5% of additional new equity for issuance costs. The issuance costs have been added to PAYG revenue where in-period revenue has been provided. Where in-period revenue has not been provided, new equity issuance costs will be added to revenue in 2030-35.

There is clear evidence that companies have been able to raise additional equity at the current allowed return on equity. Affinity Water, South East Water, Pennon in relation to South West Water and SES Water, Anglian Water, Southern Water and Northumbrian Water and United Utilities have all raised equity since the final determinations were published in December 2025. Whilst a number of these companies will receive the allowed return on equity provided by the Competition and Markets Authority (CMA), in most cases the equity was committed prior to the outcome of the redetermination.

A2.3 Allowed return on capital

In calculating the in-period revenue for Anglian Water, Northumbrian Water, Southern Water, South East Water, and Wessex Water, we apply the wholesale allowed return on capital of 4.20% (real, CPIH) used by the CMA in its redeterminations.[47] For all other companies we apply our PR24 final determinations' wholesale allowed return on capital of 3.97% (real, CPIH). This is the position set out, following our July 2025 consultation, in our Cost Change Process Decision Document (CCPDD).[48]

Allowed return on equity

Some companies argued that the allowed return on capital should be updated to reflect the market cost of raising equity to finance cost change items during 2025-30, citing evidence, including the allowed return set by the CMA, that the cost of capital has increased since our final determinations were set. For instance, Pennon stated it was seeking the CMA's 4.20% wholesale WACC for South West Water and SES Water, as it considered this a more recent and relevant benchmark that maintained the PR24 risk and return balance.[49] Thames Water similarly argued it should receive the CMA allowed return as it considered it a more up-to-date figure.[50] Severn Trent Water included its quality assurance and ambition (QAA) reward of 30 basis points (bps) in its modelling of in-period revenue as a 'pragmatic alternative' to

[47] CMA, 'Water PR24 References, Final Determinations Volume 4: Allowed return – chapter 7', March 2026
[48] Ofwat, 'Cost Change Process Decision Document', November 2025, p.18
[49] Pennon, 'Accelerating Investment, Cost Change Submission 2026', pp.28-29
[50] Thames Water, 'Cost Change Process Submission: Major Projects', April 2026, p5

updating the PR24 final determinations allowed return on equity for more up-to-date market evidence.[51]

We continue to consider that the allowed return on equity from companies' most recent final determination is the most appropriate figure to apply to cost change process RCV. This is the allowed return that would have applied had the costs been included in our final determination, or as part of the CMA's redetermination. In line with its duties, the CMA's redetermination reset the PR24 balance of risk and return through a different approach to the return on capital, financial incentives, and cost allowances. It would not be appropriate to apply one element of the CMA's determination in isolation, or to apply the CMA's full redetermination approach to a company that did not challenge its PR24 settlement. While recognising the role of market movements (and, in particular, higher gilt yields) in informing the CMA's higher cost of equity allowance, it is a well-established feature of the water regulatory framework (retained by the CMA),[52] that the allowed return on equity is fixed as part of the final determinations (or CMA redeterminations) for the duration of the 5-year price control. Recognising that market movements may suggest a lower as well as higher cost of equity following final determinations,[53] we consider it important to apply a consistent regulatory approach that assigns this risk consistently over time to companies, who are best placed to bear this risk, to ensure they face a 'fair bet'.[54]

We also do not consider it is appropriate to incorporate the QAA reward into the allowed return on capital for the companies in receipt of this. The QAA related to the quality and ambition assessment of the business plans put forward by companies as part of the PR24 process. For Severn Trent Water, the reward was set to be equivalent to a 30bps return on regulated equity - or £93 million. It did not constitute an uplift to the allowed return on equity for the company for all investment in the PR24 period.[55]

Cost of debt allowance

Several companies requested revisions to the assumed share of new debt from their most recent final determination (28% for CMA companies, 24% for non-CMA companies). Southern Water requested that the allowed cost of debt for allowances under the cost change process should reflect an allowed return calculation featuring 100% new debt because the additional investment did not feature in the CMA's calculations, and represented investment that would all be financed by new debt.[56] United Utilities made a similar argument, while noting our position set out in the cost change process guidance, but did not request this approach.

[51] Severn Trent Water, '2026 cost change submission: technical overview', p16
[52] CMA, 'PR24 Final determinations Volume 4: Allowed return', March 2026, p15
[53] This was for instance the case following PR09 and PR14, considering both movements in equity beta and gilt yields.
[54] That is to say, that a company facing this risk should expect over the long term to be in a neutral position (i.e. facing neither penalty or reward in net terms)
[55] Ofwat, 'PR24 draft determinations: Severn Trent Water – Quality and ambition assessment appendix'
[56] Southern Water, 'Southern Water's Cost change submission' May 2026, pp.14-15

Severn Trent Water requested the assumption for new debt to be updated to 28% as providing a more accurate view of the notional company position.[57]

We continue to consider that the relevant assumption for share of new debt is that included in companies' most recent final determination. We have reached this decision for reasons of consistency and proportionality, given the additional complexity that more bespoke treatment would imply, compared to the limited financial impact of company proposals (See tables A2.1 and A2.2 below).

While noting that the CMA adopted a higher share of new debt for disputing companies (28% vs. 24%) we do not agree that the CMA's decision is superior, because it is based on assuming nominal RCV growth (i.e. growth due to inflation indexation as well as capital formation) requires debt financing.[58]

Both our and the CMA's approach involves setting the notional share of new debt as a sector average of funding requirements. Each company's own funding requirements will result in differences with respect to this average, however we would expect over a suitably long horizon that these deviations from the regulatory assumption should balance out,[59] and thus setting a more bespoke assumption to more closely reflect in-period investment is unnecessary. Southern Water has recently affirmed its view that the relevant horizon for investors is 'at least 20 years'.[60]

Company proposals for bespoke treatment of the share of new debt for the WACC applying to cost change allowances imply a departure from established practice, and a substantial increase in complexity in the PR24 regulatory framework. For instance, the Green Economic recovery in the 2020-25 period, transitional expenditure programmes and previous in-period determinations have not used an updated share of new debt assumption to reflect additional expenditure. Moreover, the PR24 reconciliation rulebook is clear that the time value of money applied to overspends subject to cost-sharing is the wholesale WACC from final determinations, rather than a dynamic value updated for the new debt implications of overspends.[61] The proposal to set a bespoke share of new debt assumption for the WACC applying to cost change allowances would result in companies' allowed return being a weighted average of a) the PR24 FD wholesale WACC, and b) the cost-change wholesale WACC. This would differ by year and company and would need to be reflected as an annually changing figure for the time value of money in the reconciliations within the PR24 Reconciliations Rulebook.[62]

[57] Severn Trent Water, '2026 cost change submission' p.16
[58] [58] CMA, 'PR24 Final determinations Volume 4: Allowed return', March 2026, para 7,938, p215,
[59] That is, it would be unusual for a company to feature an actual share of new debt above the sector average across multiple price controls. Southern's PR19 actual share of new debt was below the notional assumption of 20% (source: PR19 Final Determinations: Allowed return on capital technical appendix, figure 6.1)
[60] Southern Water, 'Response to the CMA's PR24 Provisional Determination', November 2025, para 7.76
[61] Ofwat, 'PR24 Reconciliation Rulebook: Guidance Document' p9
[62] Currently these reconciliations use a single figure for the time value of money – the PR24 FD wholesale WACC.

This additional complexity appears difficult to justify given the relatively limited impact on company returns. As detailed below, the Return on Regulatory Equity (RoRE) impact of assuming a 100% cost-of-new-debt treatment is relatively small.

Table A2.1: Increase in Return on Regulatory Equity (RoRE) from using a 100% new debt WACC (4.75%%) instead of the CMA PR24 redeterminations wholesale WACC (4.20%%)

Company	Additional RoRE
Anglian Water	0.01%
Northumbrian Water	0.04%
Southern Water	0.06%
Wessex Water	0.01%
South East Water	0.00%

Note: Figures are presented as an average RoRE over 5 years. For simplicity, the RCV balances informing calculations are assumed to reflect company-proposed (rather than draft, allowed) CCP additions; this means the RoRE figures in the table are likely to be overestimates.

Source: Ofwat analysis of company PR24 final determinations and cost change process (CCP) submissions

Table A2.2: Increase in Return on Regulatory Equity (RoRE) from using a 100% new-debt wholesale WACC (4.37%) instead of the Ofwat PR24 final determinations wholesale WACC (3.97%)

Company	Additional RoRE
Severn Trent Water	0.01%
South West Water	0.01%
Thames Water	0.01%
United Utilities	0.02%
Yorkshire Water	0.00%
SES Water	0.01%

Note: Figures are presented as an average RoRE over 5 years. For simplicity, the RCV balances informing calculations are assumed to reflect company-proposed (rather than draft, allowed) CCP additions; this means the RoRE figures in the table are likely to be overestimates.

Source: Ofwat analysis of company PR24 final determinations and CCP submissions

A2.4 Other considerations

Companies cited other reasons for providing in-period revenue adjustments alongside a financeability constraint. These include:

- consistency with PR24 final determinations;
- intertemporal fairness and the preference of customers to pay their fair share;
- the avoidance of a large step up in bills at the next price review; and
- the customer value proposition supports earlier repayments.

We have provided in-period funding, where companies have asked for this , for the large gated schemes that were envisaged in final determinations.

A number of companies argued that it would be appropriate to provide in-period funding to maintain intertemporal fairness between groups of customers and to avoid a larger step up in bills in the next price review. Whilst we accept that some customers prefer smooth bill profiles and dislike a large step-up in bills between price control periods, we must balance this against affordability for customers and the need to limit bill volatility during the current period. However, where companies have provided evidence that customers support in-period funding within their cost change submissions, we have taken this into account in our in-the-round assessment. Where companies have not provided evidence of customer preferences, we expect them to do so in their representations to the draft decisions. Failure to do so may affect our final decisions for in-period funding.

We expect all companies to take into account all adjustments to customer bills including the impact of in-period ODI determination when considering if bill increases are acceptable to customers.

Wessex Water and South West Water argue that delaying recovery of revenue increases the net present value of the cost to customers due to the social discount rate at 3.5% being less than the allowed return on capital. We understand that the social time preference rate (STRP) used to determine the social discount rate is under review by HM Treasury, [63] although we accept that if this is below the allowed return on capital, earlier payment would be NPV beneficial to customers. However, the STPR may not capture all relevant customer considerations such as affordability, liquidity constraints and household financing costs. We note that Wessex Water proposed to delay recovery of infrastructure renewal expenditure to assist customer affordability in its PR24 business plan.

[63] The discount rate cited is the Green Book Social Time Preference Rate (STRP), used in project appraisal to reflect the time value of money.

A3 Annex 3: Our proposed approach to claw back of base allowance underspend

This annex provides some illustrative examples of how the proposed clawback mechanism for base allowance underspend, where we provide additional asset health expenditure, would operate.

Table A3.1 sets out some worked examples of how this would operate. It covers different scenarios representing different outturn outcomes for company performance.

Scenario 1: the company has an existing PR24 base allowance of £1,000 million and is given an asset health allowance in the cost change process of £250m. It actually spends only 700 million on base, but spends all of its CCP asset health allowance on specified activities. The underspend on base is set against the CCP allowance and because the £300 million underspend is greater than the £250 million CCP allowance the CCP allowance is clawed back in its entirety and returned to customers. The company therefore retains its original £1,000 million allowance and so has underspent by £50m, which is processed through standard 50:50 cost sharing for base with £25 million retained by the company and £25 million returned to customers. The net effect is £275 million would be returned to customers. In practice this will have to take account of whether the company received in-period funding; if it had not, it would simply not receive the £250 million as part of PR29 reconciliation processes.

Scenario 2: the company underspends it base allowance by £100m, which is less than the CCP allowance, The £100 million is set against the CCP allowance and returned to customers.

Scenario 3: the company underspends on both base and its CCP allowance. The underspend on base is set against the CCP allowance and consequently the company is fully funded for both base and CCP actual expenditure.

Scenario 4: the company underspends by £100 million on base but overspends by £50 million on CCP activity. The £100 million underspend on base is set against the CCP allowance and returned to customers. The £50 million overspend on CCP activity is processed through cost sharing and £25 million is recovered from customers. Therefore the net effect would be £75 million would be returned to customers.

Scenario 5: the company overspends on base by £100 million but underspends on CCP activity. The £150 million underspend on CCP activity is fully returned to customers, and the £100 million overspend is processed through cost sharing with £50 million recovered from customers. The net effect being only £100 million would be returned to customers.

Table A3.1: Illustrative example of proposed approach to clawback of base allowance underspend

<table>
<tr><th rowspan="2">Scenario</th><th colspan="3">Allowances</th><th colspan="3">Outturn expenditure</th><th colspan="3">Under(+ve)/ overspend (-ve)</th><th colspan="5">Clawback and cost sharing</th></tr>
<tr><th>PR24 Base</th><th>CCP</th><th>Total</th><th>PR24 Base</th><th>CCP</th><th>Total</th><th>PR24 Base</th><th>CCP</th><th>Total</th><th>Base under-spend clawback</th><th>CCP allowance clawback</th><th>Effective allowance pre sharing</th><th>Value for cost sharing</th><th>Cost sharing at 50:50</th></tr>
<tr><td>Underspend on base greater than cost change allowance</td><td rowspan="6">1,000</td><td rowspan="6">250</td><td rowspan="6">1,250</td><td>700</td><td>250</td><td>950</td><td>300</td><td>0</td><td>300</td><td>250</td><td>0</td><td>1,000</td><td>50</td><td>25</td></tr>
<tr><td>Underspend on base; spend full cost change allowance</td><td>900</td><td>250</td><td>1,150</td><td>100</td><td>0</td><td>100</td><td>100</td><td>0</td><td>1,150</td><td>0</td><td>0</td></tr>
<tr><td>Underspend on base; underspend on cost change allowance</td><td>900</td><td>150</td><td>1,050</td><td>100</td><td>100</td><td>200</td><td>100</td><td>100</td><td>1,050</td><td>0</td><td>0</td></tr>
<tr><td>Underspend on base; overspend cost change allowance</td><td>900</td><td>300</td><td>1,200</td><td>100</td><td>-50</td><td>50</td><td>100</td><td>0</td><td>1,150</td><td>-50</td><td>-25</td></tr>
<tr><td>Overspend on base; underspend on cost change allowance</td><td>1,100</td><td>100</td><td>1,200</td><td>-100</td><td>150</td><td>50</td><td>0</td><td>150</td><td>1,100</td><td>-100</td><td>-50</td></tr>
<tr><td>Overspend overall</td><td>1,100</td><td>300</td><td>1,400</td><td>-100</td><td>-50</td><td>-150</td><td>0</td><td>0</td><td>1,250</td><td>-150</td><td>-75</td></tr>
</table>

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

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