Awst 2026

Penderfyniadau drafft newid costau PR24 – Trosolwg o'r Sector

Ofwat

Cynnwys

Mae'r adrannau canlynol (4, 5 ac atodiadau A1-A3) yn cynnwys gwybodaeth a manylion o natur dechnegol. Os oes angen cyfieithu unrhyw un o'r adrannau hyn, rhowch wybod i ni drwy e-bost i costchange@ofwat.gov.uk

1. Ynglŷn a'r ddogfen hon

Yn y ddogfen ymgynghori hon, rydym yn nodi'r lwfansau gwariant ychwanegol rydym yn cynnig eu caniatáu i gwmnïau yn ein penderfyniadau drafft newid costau 2026 yn dilyn ein hasesiad o'u hawliadau newid costau. Bydd y lwfansau ychwanegol hyn yn galluogi cwmnïau i fuddsoddi mewn cael gwared ar PFAS[1], iechyd asedau, twf, cynlluniau mawr wedi'u cau, prosiectau mawr a Havant Thicket.

Rydym hefyd yn nodi'r refeniw yn ystod y cyfnod rydym yn bwriadu ei ganiatáu a'r addasiadau gwerth cyfalaf rheoleiddiol (RCV) rydym yn bwriadu eu cydnabod, ac amserau hyn. Rydym yn cynnwys yr atodiadau canlynol yn y ddogfen hon:

- Atodiad 1 – ein dyletswyddau statudol, sy'n nodi'r fframwaith cyfreithiol y mae'r broses newid costau yn gweithredu ynddo; ac
- Atodiad 2 – Asesu cyllid yn ystod y cyfnod.

Mae'r dogfennau canlynol, a gyhoeddwyd heddiw, hefyd yn rhan o'r ymgynghoriad hwn:

- Penderfyniadau drafft newid costau 2026 ar gyfer pob cwmni, sy'n nodi effaith ein penderfyniadau ar reolaethau prisiau'r cwmni, sut rydym yn ariannu lwfansau gwariant y cwmni a'n hasesiad o hawliadau a gyflwynwyd gan y cwmni, a'n penderfyniad arnynt;
- Penderfyniadau drafft Newid Costau 2026 – Atodiad materion trawsbynciol iechyd asedau, sy'n ymdrin â chynigion buddsoddi iechyd asedau a gyflwynwyd ym mhroses newid costau 2026;
- Yr atodiad canlyniadau rheoli prisiau (PCD), sy'n nodi ein hymagwedd arfaethedig at bennu canlyniadau rheoli prisiau ar gyfer proses newid costau PR24 i ddwyn cwmnïau i gyfrif am gyflawni eu gwariant newid costau;
- Penderfyniadau drafft newid costau 2026, ffeiliau PCD ar gyfer iechyd asedau, PFAS, twf a chynlluniau mawr wedi'u cau, sy'n cynnwys danfoniadau rheoli prisiau'r cwmni
- Penderfyniad drafft newid costau 2026, cyfres o fodelau sy'n cefnogi ein penderfyniadau drafft.

Dangosir y symiau yn y ddogfen hon ym mhris sylfaenol 2022-23.[2]

Rydym yn croesawu unrhyw sylwadau ar yr ymgynghoriad hwn. Rydym yn annog ymatebion i gael eu cyflwyno drwy blatfform ein hymgynghoriad https://consult.ofwat.gov.uk.

Fodd bynnag, gallwch hefyd ymateb drwy e-bost i costchange@ofwat.gov.uk neu drwy'r post i:

[1] Am ragor o wybodaeth am sylweddau per a poly fluoroalkyl (PFAS), gweler tudalen we Arolygiaeth Dŵr Yfed "[PFAS a Forever Chemicals]()".
[2] Cyfartaledd blwyddyn ariannol 2022-23 (FYA) CPIH wedi'i ddadchwyddo: Prisiau blwyddyn sylfaen PR24

Ymateb i'r Ymgynghoriad Newid Costau
Ofwat
Tŵr Canol Dinas
7 Hill Street, Birmingham
B5 4UA

Dyddiad cau'r ymgynghoriad hwn yw 5pm ar 24 Medi 2026. Rydym yn bwriadu cyhoeddi ymatebion i'r ymgynghoriad hwn ar ein gwefan yn www.ofwat.gov.uk. Yn amodol ar y canlynol, drwy ymateb i'r ymgynghoriad hwn ystyrir eich bod yn cydsynio i'w gyhoeddi.

Os ydych chi'n credu na ddylid datgelu unrhyw ran o'r wybodaeth yn eich ymateb (er enghraifft, oherwydd eich bod chi'n ei hystyried yn sensitif yn fasnachol), ni fydd ymwadiad cyfrinachedd awtomatig neu gyffredinol, ynddo'i hun, yn cael ei ystyried yn ddigonol. Dylech nodi gwybodaeth benodol ac egluro ym mhob achos pam na ddylid ei datgelu a darparu fersiwn wedi'i golygu o'ch ymateb, y byddwn yn ei hystyried wrth benderfynu pa wybodaeth i'w chyhoeddi. Fan leiaf, byddem yn disgwyl cyhoeddi enw pob sefydliad sy'n darparu ymateb ysgrifenedig, hyd yn oed lle mae rhesymau dilys pam mae cynnwys yr ymatebion ysgrifenedig hynny'n parhau'n gyfrinachol.

O ran data personol, mae gennych hawl i wrthwynebu i ni gyhoeddi'r wybodaeth bersonol wrth gyflwyno eich ymateb (er enghraifft, eich enw neu fanylion cyswllt). Os nad ydych chi eisiau i ni gyhoeddi gwybodaeth bersonol benodol a fyddai'n galluogi i chi gael eich adnabod, mae ein polisi preifatrwydd yn egluro ar ba sail y gallwch wrthwynebu ei brosesu ac yn darparu rhagor o wybodaeth am sut rydym yn prosesu data personol.

Yn ogystal â'n gallu i ddatgelu gwybodaeth yn unol â Deddf y Diwydiant Dŵr 1991, gellir cyhoeddi neu ddatgelu gwybodaeth a ddarperir mewn ymateb i'r ymgynghoriad hwn, gan gynnwys data personol, yn unol â deddfwriaeth ar fynediad at wybodaeth – yn bennaf Deddf Rhyddid Gwybodaeth 2000 (FoIA), Rheoliadau Gwybodaeth Amgylcheddol 2004 (EIR) a chyfreithiau diogelu data cymwys.

Byddwch yn ymwybodol, o dan y Ddeddf Rhyddid Gwybodaeth a'r Rheoliadau Gwybodaeth Amgylcheddol, fod Codau Ymarfer statudol sy'n ymdrin, ymhlith pethau eraill, â rhwymedigaethau cyfrinachedd. Os byddwn yn derbyn cais i ddatgelu gwybodaeth rydych wedi gofyn i ni beidio â'i datgelu, byddwn yn ystyried eich esboniad yn llawn, ond ni allwn roi sicrwydd y gallwn gynnal cyfrinachedd ym mhob amgylchiad.

2. Cefndir

Gwnaethom ein penderfyniadau terfynol ar gyfer PR24 yn seiliedig ar y wybodaeth orau oedd ar gael i ni ar y pryd. Mae ein penderfyniadau terfynol yn nodi pecyn refeniw, gwasanaeth a chymhellion sy'n rhoi'r cyllid i gwmnïau sy'n eu galluogi i fodloni'r gofynion a osodwyd gan lywodraethau'r DU a Chymru ac i gyflawni canlyniadau gwell i gwsmeriaid a'r amgylchedd yn y cyfnod 2025–30.

Yn ein penderfyniadau terfynol PR24, dywedom y byddem yn cyflwyno mecanwaith addasu newydd yn ystod y cyfnod (y mecanwaith newid costau) ar gyfer meysydd cost critigol lle'r oedd costau'n dal yn ansicr.[3] Yn dilyn ymgynghoriad helaeth â rhanddeiliaid, cyhoeddwyd ein penderfyniad ar weithredu'r broses newid costau ym mis Tachwedd 2025.[4] a chyhoeddwyd canllawiau yn egluro sut y byddai'r broses yn gweithio ym mis Tachwedd a mis Rhagfyr 2025[5].

Mae'r broses newid costau ar waith ar gyfer y cyfnod rhwng 1 Ebrill 2025 a 31 Mawrth 2030, gyda chwmnïau'n cael cyfle i wneud cyflwyniadau yn 2026, 2027 a 2028. Mae'r broses hon yn berthnasol i feysydd cost hanfodol[6], a bydd yn lleihau oedi wrth gyflenwi, gan roi sicrwydd cynharach i gwmnïau ynghylch costau a fydd yn cael eu hadennill yn y cyfnod rheoli prisiau nesaf ac, os oes angen, yn caniatáu i gwmnïau gael mynediad at refeniw ychwanegol yn ystod 2025–30. Dywedon ni mai'r sefyllfa ddiofyn ar gyfer unrhyw hawliad fydd addasiad diwedd cyfnod[7] a byddem yn ymrwymo i wneud unrhyw ychwanegiadau i'r RCV yn yr adolygiad prisiau nesaf ac y byddem yn gwneud y rhain fel addasiad hanner nos.

Mae ein penderfyniadau drafft ar gyfer newid costau 2026 yn adlewyrchu ein dyletswyddau statudol a datganiadau Llywodraeth y DU a Llywodraeth Cymru sy'n nodi blaenoriaethau ac amcanion strategol ar gyfer Ofwat (a elwir yn gyffredin yn ddatganiadau polisi strategol (SPS)).[8] [9] Rhaid i ni weithredu yn unol â'n dyletswyddau statudol a'r SPS wrth gyflawni'r rhan fwyaf o'n gwaith, gan gynnwys wrth wneud penderfyniadau ar newidiadau i reolaethau prisiau. Mae Atodiad 1 yn rhoi mwy o fanylion am ein dyletswyddau statudol, gan gynnwys y dyletswyddau amgylcheddol sy'n berthnasol i gyrff cyhoeddus yn gyffredinol.

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[3] Fe wnaethon ni nodi hyn yn penderfyniadau terfynol PR24: Addasiadau yn ystod y cyfnod (Rhagfyr 2024)
[4] Gweler Dogfen penderfyniad proses newid costau.
[5] Gwleer Nodyn canllaw ar gyfer y broses newid costau a Proses newid costa PR24 – ymgynghoriad canllawiau ychwanegol ar fuddsoddiad twf yn y galw
[6] Ar hyn o bryd, mae'r broses newid costau yn cynnwys seiberddiogelwch; cynlluniau ychwanegol i sicrhau diogelwch dŵr yfed mewn perthynas â 'chemegau am byth' (PFAS); iechyd asedau; twf; y broses cynlluniau mawr wedi'u cau; cronfa ddŵr Havant Thicket; a chostau datblygu ar gyfer prosiectau mawr.
[7] Tudalen 24 o Dogfen penderfyniad proses newid costau
[8] Defra, 'The government's strategic priorities for Ofwat', 28 Maweth 2022.
[9] Llywodraeth Cymru, 'Datganiad Blaenoriaethau ac Amcanion Strategol i Ofwat a gyhoeddwyd o dan adran 2B o Ddeddf y Diwydiant Dŵr 1991', 15 Ebrill 2026, sy'n nodi dylai Ofwat barhau i weithredu yn unol â 'Datganiad Blaenoriaethau ac Amcanion Strategol i Ofwat a gyhoeddwyd o dan adran 2B o Ddeddf y Diwydiant Dŵr 1991' ym mis Gorffennaf 2022.

Mewn perthynas â gofynion perthnasol sy'n berthnasol i gwmnïau dŵr, gan gynnwys dyletswyddau sy'n ymwneud â thirweddau gwarchodedig,[10] rydym yn disgwyl y bydd cynlluniau cwmnïau naill ai'n adlewyrchu effaith y gofynion yn eu dyluniad arfaethedig neu y bydd angen iddynt wneud hynny fel mater o drefn, yn unol â'u rhwymedigaethau statudol, pan fyddant yn datblygu'r cynlluniau hynny. Lle mae ein penderfyniadau drafft yn darparu cyllid ar gyfer cynlluniau, ar sail y gwerth gorau rydym yn ystyried ei fod yn caniatáu cydymffurfio â rhwymedigaethau statudol.

[10] Mae tirweddau gwarchodedig yn cynnwys ardaloedd o harddwch naturiol eithriadol, parciau cenedlaethol, a Llynoedd Norfolk a Suffolk.

3. Crynodeb Gweithredol

3.1 Lwfansau gwariant

Cyflwynodd tair ar ddeg o gwmnïau hawliadau newid costau yn 2026. Ni chyflwynodd tri chwmni, Affinity Water, Portsmouth Water a South Staffs Water unrhyw hawliadau. I gyd, mae'r penderfyniadau drafft ar gyfer y broses newid costau yn darparu £3.4 biliwn o lwfansau gwariant ychwanegol i gwmnïau rhwng 2025-35. Bydd y gwariant ychwanegol hwn yn caniatáu i gwmnïau barhau â nifer o gynlluniau statudol sylweddol, cefnogi twf economaidd a helpu i sicrhau bod cwsmeriaid yn parhau i dderbyn gwasanaethau dŵr a dŵr gwastraff diogel a dibynadwy yn y dyfodol.

Yn y cyfnod 2025-30, mae hyn yn darparu £1,247 miliwn i ddiogelu gwasanaethau ac asedau ar gyfer cenedlaethau'r dyfodol; £477 miliwn ar draws y sector i fodloni twf a helpu i ddatgloi heriau adeiladu tai a chanolfannau data, a £34 miliwn i reoli effaith 'cemegau am byth' (PFAS) mewn gweithfeydd trin penodol, gan sicrhau gwasanaeth dŵr yfed dibynadwy. Mae'n cynnwys £1,151 miliwn o wariant a ganiateir i gefnogi cynnydd parhaus i gyflawni:

- Y cynlluniau adnoddau dŵr strategol arwyddocaol ar gyfer Havant Thicket, Teddington Direct River Abstraction (DRA) a Chronfa Ddŵr White Horse sy'n cael eu datblygu trwy'r broses Prosiectau Mawr.
- Gwaith statudol penodol ar gyfer Southern Water sy'n mynd i'r afael â chydnerthedd gwaith trin, prosiectau sy'n gysylltiedig â rhaglen wella ehangach United Utilities i wella ansawdd dŵr yn Llyn Windermere a phrosiect Allfa Môr Hir Bran Sands i fynd i'r afael â materion niwtraliaeth maetholion ar gyfer Ardal Gwarchodaeth Arbennig Arfordir Teesmouth a Cleveland. Mae'r rhain yn cael eu datblygu yn ein proses cynlluniau mawr wedi'u cau.

Tabl 1: Gwariant sector penderfyniad drafft a ganiateir

	2025-35[11] (£m)
Gwariant mewn cyflwyniadau cwmni	4,285[12]
Gwariant heb ddigon o dystiolaeth o angen neu y tu allan i gwmpas y broses newid costau	-752
Gwariant wedi'i asesu ar gyfer newid costau	3,533
Heri 'dewis gorau' ac effeithlonrwydd Ofwat	-143
Lwfans newid cost penderfyniad drafft Ofwat	3,390

[11] Disgwylir y bydd rhywfaint o wariant o fewn lwfansau yn cael ei wneud yn 2030-35 ar gyfer danfoniadau. Y cyfanswm yw £223 miliwn.
[12] Cyn ein penderfyniadau drafft, gofynnodd Thames Water am dynnu gwariant yn ôl o'i gyflwyniad. Felly nid yw'r gwariant hwn wedi'i gynnwys yng nghyfanswm cyflwyniad y cwmni.

Roedd cyflwyniadau cwmnïau yn cynnwys £4.3 biliwn o wariant ychwanegol uwchlaw'r cyllid a ganiatawyd yn PR24. Lle mae cwmnïau'n cynnig gwariant ychwanegol uwchlaw'r hyn a ganiatawyd yn yr adolygiad prisiau (neu ailbenderfyniad yr Awdurdod Cystadleuaeth a Marchnadoedd (CMA), dylent allu dangos bod y gwaith arfaethedig yn angenrheidiol, eu bod wedi ystyried yr opsiwn cyflawni mwyaf priodol a bod modd cyflawni'r gwaith yn effeithlon.

Nododd ein hasesiad wariant o £752 miliwn yn gysylltiedig â gweithgareddau ac allbynnau lle nad oedd digon o dystiolaeth i gefnogi'r angen am y buddsoddiad neu lle roedd y gwariant y tu allan i gwmpas diffiniedig y broses newid costau. Mae bron i dri chwarter o'r gwariant hwn yn ymwneud â thystiolaeth annigonol o angen, gyda'r gweddill y tu allan i'r cwmpas. Rydym hefyd yn eithrio unrhyw weithgareddau/allbynnau cysylltiedig sy'n gysylltiedig â'r gwariant. Mae'r broses newid costau wedi'i chynllunio i roi sicrwydd ynghylch cyllid ar gyfer allbynnau a chynlluniau ond mae'n gweithredu o fewn cwmpas wedi'i ddiffinio'n dynn, gan ganolbwyntio ar feysydd blaenoriaeth y cytunwyd arnynt ymlaen llaw. Efallai y bydd cwmnïau’n gallu ceisio cyllid ar gyfer gweithgareddau, megis gweithgareddau gwydnwch ehangach, sydd heb y broses newid costau drwy benderfyniadau yn y dyfodol[13].

I gyd, aseswyd tua £3.5 biliwn[14] o'r gwariant arfaethedig o fewn y broses newid costau.

Yn ystod ein hasesiad, fe wnaethom ni ymgysylltu â chwmnïau i ddeall unrhyw fylchau yn y wybodaeth a ddarparwyd a gofyn am dystiolaeth ychwanegol lle bo angen. Fe wnaethon ni nodi rhai bylchau mewn elfennau o opsiynau a amcangyfrifon cost cwmnïau. Mewn rhai achosion, fe wnaethom leihau lwfansau gwariant i adlewyrchu hyn, gan arwain at ostyngiad o £143 miliwn.

Rydym yn cydnabod bod yr amserlen ar gyfer y broses newid costau yn heriol a bod casglu'r dystiolaeth i fynd i'r afael â materion yn cymryd amser. O fewn y £3.4 biliwn o wariant ychwanegol, rydym wedi cynnwys wariant amodol. Rydym wedi caniatáu amser ychwanegol i gwmnïau ddarparu'r dystiolaeth ategol ddisgwyliedig cyn penderfyniadau terfynol.

Mae'r dull hwn yn rhoi mwy o dryloywder o ran y cyllid y mae cwmnïau'n debygol o'i gael yn y penderfyniad terfynol. Os nad yw cwmni'n darparu'r wybodaeth y gofynnwyd amdani, neu os nad yw'r dystiolaeth yn ddigonol, efallai y byddwn yn dileu rhywfaint o'r lwfans amodol, neu’r holl beth, yn y penderfyniad terfynol.

I gyd, mae'r penderfyniad drafft yn caniatáu £3.4 biliwn o wariant ychwanegol (gan gynnwys gwariant amodol), neu 96% o'r gwariant arfaethedig o fewn y cwmpas.

[13] Er mwyn cael eu cynnwys mewn prosesau newid costau yn y dyfodol, byddai angen newid cwmpas y broses. Gwneir newidiadau i gwmpas y broses newid costau drwy newidiadau i drwyddedau cwmnïau i alluogi newidiadau i reolaethau prisiau yn ystod y cyfnod.
[14] Mae hyn yn cynnwys gwariant twf o £259 miliwn a oedd yn ymwneud â gwasanaethau trydydd parti, nad yw i’w ariannu gan gwsmeriaid.

Mae Tabl 2 yn dangos cyfanswm y gwariant penderfyniad drafft a ganiatawyd ar gyfer proses newid costau 2026 a'r refeniw ychwanegol a ganiatawyd o ganlyniad i hynny a'r RCV fesul cwmni. Rydym yn dangos sut a phryd mae hyn yn berthnasol i reolaethau prisiau yn y penderfyniad drafft newid costau ar gyfer pob cwmni, a gyhoeddir ochr yn ochr â'r ddogfen hon.

Tabl 2: Lwfansau penderfyniad drafft gan y cwmni

Cwmni	Cyfanswm y gwariant newid costau 2025-30 (£m)	Cyfanswm y refeniw a ganiatawyd yn ystod y cyfnod 2025-30 (£m)	Cydnabuwyd RCV ychwanegol ar gyfer 31 Mawrth 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
Cyfanswm	2,909.030	288.607	2,601.560

Cyn ein penderfyniadau drafft, yn dilyn ymgysylltu, fe wnaethom gadarnhau y byddwn yn diwygio cyhoeddiadau diweddariadau RCV blynyddol yn y dyfodol i gynnwys llinell ar wahân sy'n dangos addasiadau RCV sy'n gysylltiedig â'r broses newid costau a gymeradwywyd lle bo'n berthnasol[15]. Mae manylion pellach yn adran 5.

3.2 Lwfansau gwariant ariannu a biliau cwsmeriaid

Yn y pen draw, bydd angen ariannu unrhyw wariant ychwanegol a ganiateir drwy'r Broses Newid Costau, gan gynyddu refeniw a ganiateir i gwmnïau. Mae'r broses yn penderfynu yn gyntaf a oes angen gwariant ychwanegol ac yna'n penderfynu pryd y dylid darparu cyllid.

[15] Bydd y llinell ychwanegol hon yn eistedd ar wahân, ochr yn ochr â ffigur PR24 RCV a ddiweddarir yn flynyddol. Ni fydd yn cynrychioli addasiad yn ystod y cyfnod i'r RCV, ac ni fyddwn yn cyfuno'r ffigurau i mewn i gyfanswm sefyllfa RCV diwygiedig.

Gellir darparu cyllid **yn ystod y cyfnod**, sy'n golygu bod cwmnïau'n derbyn cynnydd yn y refeniw a ganiateir cyn diwedd y cyfnod rheoli prisiau cyfredol. Ar gyfer y flwyddyn hon, byddai hynny'n golygu y byddai unrhyw effaith ar refeniw a biliau cwsmeriaid yn dechrau o fis Ebrill 2027.

Fel arall, os na chaniateir cyllid yn ystod y cyfnod, caiff ei ddarparu ar **ddiwedd y cyfnod**, gyda refeniw a ganiateir i gwmnïau yn cael ei addasu yn yr adolygiad prisiau nesaf i adennill y gwariant ychwanegol a ganiateir.

Fel rhan o bennu'r angen a lefel y cyllid yn ystod y cyfnod, rydym yn gosod enillion a ganiateir. Yn unol â'n canllawiau, rydym yn cymhwyso enillion a ganiateir sy'n hafal i'r enillion a ganiateir a ailbenderfynwyd gan y CMA ar gyfer Anglian Water, Northumbrian Water, Southern Water, Wessex Water a South East Water. Ar gyfer pob cwmni arall rydym yn defnyddio'r ffurflen ddychwelyd a ganiateir ar gyfer adolygiad prisiau 2024. Dadleuodd rhai cwmnïau dros ganiatáu enillion uwch. Nid oeddem yn cytuno â'r rhesymau a ddarparwyd. Trafodwyd hyn yn atodiad 2.

Mae'n ofynnol i gwmnïau sy'n gofyn am gyllid yn ystod y cyfnod esbonio pam mae hyn yn briodol gan ystyried ffactorau megis cyflawniad yn erbyn eu rhaglen fuddsoddi PR24 bresennol a'r effaith ar gyllido cwmnïau. Rydym hefyd yn cydnabod y gallai gwariant sy'n gysylltiedig â chyflawni cynlluniau statudol y cytunwyd arnynt eisoes, fel Prosiectau Mawr a chynlluniau mawr wedi'u cau, fod angen cyllid yn ystod y cyfnod oherwydd maint neu amseriad y buddsoddiad.

- Ni wnaeth tri chwmni, Dŵr Cymru, Hafren Dyfrdwy a Yorkshire Water, ofyn am refeniw yn ystod y cyfnod.
- Ni ofynnodd United Utilities am refeniw yn ystod y cyfnod eleni, cynigiodd wneud cais am addasiadau refeniw yn ystod y cyfnod unwaith y bydd Ofwat yn cwblhau newidiadau i'r drwydded ar gyfer gwariant twf.
- Gofynnodd Northumbrian Water am gyllid yn ystod y cyfnod yn wreiddiol. Ond ysgrifennodd y cwmni atom ym mis Gorffennaf 2026 i gadarnhau ei fod yn dymuno tynnu ei gais am gyllid yn ystod y cyfnod yn ôl. Nododd fod ei broffil cyflenwi ar ei hôl hi lle'r oedd am ei gael a chydnabu'r pwysau cost byw ar ei gwsmeriaid. Rydym yn croesawu bod Northumbrian Water yn adolygu ei gais ac yn ymateb i'w amgylchiadau.

Gofynnodd wyth cwmni am gyllid yn ystod y cyfnod. Ar gyfer penderfyniadau drafft, nid ydym yn darparu cyllid yn ystod y cyfnod ar gyfer tri o'r cwmnïau hynny: Anglian Water, South West Water a SES Water. Nid yw rhai o'u gwariant a ganiateir, fel archwiliadau carthffosydd disgyrchiant, o fewn cwmpas cyllid yn ystod y cyfnod ar gyfer 2026. Er bod rhai cwmnïau'n dadlau o blaid cyllid o fewn y cyfnod ar gyfer twf eleni, nid yw'r drwydded yn caniatáu darparu cyllid yn ystod y cyfnod ar gyfer yr eitem hon eleni. Nid ydym yn darparu cyllid yn ystod y cyfnod ar gyfer gwariant iechyd asedau a ganiateir ar gyfer y cwmnïau hyn, gan ystyried nifer o ffactorau, megis cynnydd ar gyflawni a chyfyngiadau ariannol, yn gyffredinol.

Rydym yn caniatáu rhywfaint o gyllid yn ystod y cyfnod ar gyfer pum cwmni: Severn Trent Water, Southern Water, Thames Water, Wessex Water a South East Water. Mae hyn yn ymwneud â gwariant ar gynlluniau mawr wedi'u cau, prosiectau mawr, PFAS a rhai eitemau iechyd asedau. Nid ydym yn darparu cyllid yn ystod y cyfnod ar gyfer yr holl wariant a ganiateir ar gyfer pob un o'r eitemau o fewn cyflwyniadau'r pum cwmni hyn. Nid yw gwariant a ganiateir ar gyfer archwiliadau carthffosydd twf a disgyrchiant o fewn cwmpas cyllid yn ystod y cyfnod. Nid ydym ychwaith yn darparu cyllid yn ystod y cyfnod ar gyfer rhywfaint o wariant iechyd asedau a ganiateir gan ystyried nifer o ffactorau, megis cynnydd ar gyflawni, yn y rownd.

Ar gyfer pob cwmni, bydd unrhyw wariant a ganiateir nad sydd wedi'i ariannu yn ystod y cyfnod yn cael ei adlewyrchu yn y refeniw a ganiateir o fis Ebrill 2030.

Mae Tabl 3 yn rhoi amcangyfrif darluniadol o sut y gallai lwfansau newid costau a ariennir yn ystod y cyfnod effeithio ar fil cyfartalog yn 2027-28 a 2029-30.

Tabl 3: Cynnydd cyfartalog mewn biliau dros benderfyniad terfynol PR24 / ailbenderfyniad CMA oherwydd y broses newid costau[16,17]

Cwmni	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

Yn ymarferol, mae amrywiaeth o ffactorau'n dylanwadu ar filiau'n cynyddu neu'n lleihau bob blwyddyn, dim ond un o'r ffactorau hyn fydd costau sy'n gysylltiedig â'r broses newid costau, gan gynnwys chwyddiant ac addasiadau rheoli prisiau presennol. Yn ein canllawiau[19], nodwyd y gallai'r broses newid costau, a'r broses i bennu taliadau cymhelliant cyflawni canlyniadau (ODI) yn ystod y cyfnod ar gyfer 2025-26 newid refeniw a ganiateir i gwmnïau ar gyfer 2027-28. Mae'r prosesau hyn yn rhedeg ochr yn ochr, bydd ein penderfyniadau terfynol ar gyfer y taliadau ODI a'r broses newid costau ym mis Rhagfyr 2026[20]. Roedden ni'n disgwyl i gyflwyniadau newid costau ddangos bod cwmnïau wedi ystyried yr effaith gyfan bosibl ar refeniw a ganiateir, ac unrhyw anwadalrwydd posibl ar filiau, o'r ddau broses.

[16] Dyma'r cynnydd cyfartalog mewn biliau ar gyfer pob dosbarth o gwsmer o ganlyniad i'n penderfyniadau newid costau o'i gymharu â'r bil cyfartalog naill ai o benderfyniad terfynol 2024 neu fel y'i pennwyd gan yr Awdurdod Cystadleuaeth a Marchnadoedd. Bydd y cynnydd yn y bil ar gyfer pob dosbarth cwsmer yn wahanol.
[17] Bydd yr effaith yn dibynnu ar ffactorau penodol i'r cwmni, yn benodol, y cymysgedd o gyllid diwedd cyfnod a chyllid yn ystod y cyfnod. Er enghraifft, os caiff yr holl gostau a ganiateir eu hadennill ar ddiwedd y cyfnod, ni fyddai unrhyw effaith ar filiau cyn 2030.
[18] Mae effeithiau'r bil yn dilyn proffil naturiol lwfansau gwariant ychwanegol yn fras. I Southern Water, mae'r gwariant gweithredu ychwanegol a ganiatawyd yn 2029-30 yn is na'r gwariant ychwanegol a ganiatawyd yn 2027-28. Mae hyn yn arwain at effaith lai ar filiau yn 2029-30 na 2027-28.
[19] IN 26/01 Cyflwyno ceisiadau am newid costau
[20] Bydd ein penderfyniadau terfynol yn dangos yr effaith gyfunol o daliadau ODI a'r broses newid costau.

Yn eu hymatebion i'r penderfyniad drafft, rydym yn disgwyl i Severn Trent Water, Southern Water, Thames Water, Wessex Water a South East Water nodi, neu ddiweddaru, eu hystyriaeth o effaith y newid cost a'r prosesau talu ODI ar anwadalrwydd biliau, o ystyried pryderon ynghylch cost byw. Dylai hyn ystyried ein penderfyniadau drafft a'u barn nhw ar y rhain ac unrhyw ffactorau neu newidiadau eraill ers i gwmnïau gyflwyno eu hawliadau yn ystod y cyfnod rhwng mis Mawrth a mis Mai 2026. Dylai hyn ystyried y farn ddiweddaraf ar gynnydd wrth gyflawni rhaglenni buddsoddi presennol. Byddai hyn hefyd yn ddisgwyliedig gan unrhyw gwmnïau sy'n dymuno adnewyddu eu hachos am gyllid yn ystod y cyfnod ar ôl iddynt beidio â'i dderbyn yn y penderfyniad drafft.

3.3 Dal cwmnïau i gyfrif am y lwfans gwariant ychwanegol

Mae'n bwysig o ran cyfreithlondeb bod pob cwmni'n cael ei ddal i gyfrif am y gwariant ychwanegol a ganiateir y bydd cwsmeriaid yn talu amdano.

Un o'r ffyrdd allweddol rydym yn dal cwmnïau i gyfrif yw danfoniadau rheoli prisiau (PCDs). Mae PCD yn nodi'r allbynnau allweddol y disgwylir i gwmnïau eu cyflawni gyda'r cyllid a ddarperir. Cyflwynwyd y rhain gyntaf yn PR24 i ddal cwmnïau i gyfrif, i fod yn fwy tryloyw ac i wella cyfreithlondeb.

Mae'r broses newid costau hefyd yn defnyddio PCDs, a gymhwysir mewn ffordd weddol debyg i PR24[21].

Lle caniateir gwariant sy'n gysylltiedig â chael gwared ar PFAS, iechyd asedau, twf a chynlluniau mawr wedi'u cau, rydym yn cynnwys PCDs. Mae cwmnïau'n ceisio lwfansau ychwanegol uwchlaw PR24 i gyflawni mwy. Felly, rydym yn rhoi amddiffyniadau ar waith i wneud yn siŵr bod y buddsoddiad ychwanegol hwn wedi'i glustnodi a'i fod yn cael ei gyflawni. Os nad oes angen y buddsoddiad ychwanegol mwyach, bydd PCDs yn amddiffyn cwsmeriaid ac yn adennill cyllid.

Er bod y rhan fwyaf o gwmnïau'n cynnig rhyw fath o PCD, mewn rhai achosion, fe wnaethom ymyrryd i sicrhau bod y PCDs yn cwmpasu'r holl wariant ychwanegol, i sicrhau cysondeb ar draws cwmnïau neu i addasu PCD i adlewyrchu unrhyw her o ran angen, cwmpas neu her arall. Rydym hefyd yn addasu rhai o'r PCDs i adlewyrchu natur wahanol yr eitemau y mae'r broses newid costau yn eu cynnwys o'i gymharu â PR24. Rydym yn defnyddio dulliau pwrpasol i ddal cwmnïau i gyfrif am gostau datblygu prosiectau mawr a Havant Thicket. Disgrifir y rhain yn adran 4.9.

[21] Nodwyd ein dull o weithredu ar PCD yn y nodiadau canllaw newid costau cyhoeddedig, a oedd yn gyson â'r dull a ddefnyddiwyd yn PR24. Mae'r PCDs a grëwyd neu a ddiweddarwyd wedi'u nodi yn Penderfyniadau drafft newid costau 2026 – atodiad danfoniadau rheoli prisiau. Byddwn yn monitro darpariaeth y PCDs newydd hyn drwy ein hadrodd o'n cyllun darparu. Am ragor o wybodaeth, gweler ein Delivery-plan-guidance_Feb-2025.pdf.

Nid ydym yn cynnig diwygio lefelau ymrwymiad perfformiad (PCL) i adlewyrchu cyllid ychwanegol fel rhan o broses newid costau 2026. Gall y dull hwnnw esblygu mewn cyflwyniadau prosesau newid costau yn y dyfodol wrth i'r dystiolaeth ar effeithiau gwariant ychwanegol ar PCLs ddatblygu.

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] Ar hyn o bryd, rydym wedi nodi ystod ar gyfer y costau effeithlon ychwanegol sy'n gysylltiedig â phrosiect Havant Thicket, gan adlewyrchu'r Gwaith Alinio a'r ailgynllunio sy'n ofynnol yn dilyn darganfod amodau tir annisgwyl. Gan fod y lwfans terfynol yn parhau i fod yn amodol ar gwblhau'r broses Mecanwaith Addasu Costau sefydledig (CAM2), a ddisgwylir yn y misoedd nesaf, rydym wedi cynnwys lwfans amodol yn seiliedig ar ganolbwynt yr ystod asesedig at ddibenion y penderfyniad drafft hwn. Byddwn yn adlewyrchu'r lwfans CAM2 terfynol yn ein penderfyniad newid cost terfynol.

[23] Mae cyfanswm y ffigurau'n cynnwys gwariant a ganiateir ar gyfer Havant Thicket o ganolbwynt yr ystod fel yr eglurwyd yn adran A4.4 Cost Change Draft Determination 2026 – Southern Water, yr ydym yn ei gyhoeddi ochr yn ochr â'r ddogfen hon.

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] Gweler hefyd adran 4.4 isod am fanylion am ein dull adfachu tanwariant

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 the 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] Mae rhagor o fanylion am sut y cyfrifwyd yr addasiad hwn yn PR24 yn adran 5.6.4 o'n hatodiad lwfansau gwariant penderfyniadau terfynol PR24 – modelu cost gwella

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 the 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. Additional funding will also be subject to the major projects incentives framework.

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]

[26] Gellir adennill lwfansau Totex gan gwsmeriaid ar unwaith drwy dalu wrth fynd neu eu hychwanegu at y RCV a'u hadennill dros gyfnod hirach drwy orffen RCV. Yn gyffredinol, caiff costau gweithredu eu hadennill ar unwaith tra bod gwariant cyfalaf yn cael ei adennill dros oes ddefnyddiol y buddsoddiad. Pan ychwanegir gwariant at y RCV, rydym yn darparu enillion a ganiateir ar y RCV hwnnw i dalu cost ariannu'r buddsoddiad hwnnw.

[27] Mae'r trothwy perthnasedd ond yn pennu a yw hawliad yn gymwys ar gyfer addasiad yn ystod y cyfnod. Gall cwmni barhau i gael mynediad at y broses newid costau, ar gyfer addasiad diwedd cyfnod, os nad yw'r un o'i hawliadau yn cyrraedd y trothwy perthnasedd.

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, financeablity and our assumptions on the allowed return in more detail in annex 2.

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[28] Yn ddiweddar, fe wnaethom gyhoeddi ymgynghoriad ar addasu trwyddedau a fyddai'n caniatáu cyllid yn ystod y cyfnod ar gyfer twf o 2027 ymlaen.

[29] Ofwat, '[Proses newid costau R24: Gravity sewers investment assessment guidance]' Chwefror 2026. Nododd Tudalen 9 o'n canllawiau "Cytunir ar unrhyw addasiadau i lwfansau ar gyfer archwiliadau carthffosydd disgyrchiant cynyddol drwy'r broses newid costau, ond dim ond ar ddiwedd y cyfnod y cânt eu gwneud.

[30] Yn [Cost-change-process-guidance-note.pdf] dywedon ni mai dim ond os oes angen cyllid yn ystod y cyfnod arnyn nhw y dylai cwmnïau gael mynediad at y broses newid costau ar gyfer costau datblygu prosiectau mawr

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 Cyflwyno ceisiadau am newid costau

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] Bydd y balans RCV ychwanegol ar 31 Mawrth 2030 yn cael ei ychwanegu at RCV y cwmni fel addasiad hanner nos ar PR29. Byddwn yn dangos effaith y broses newid costau ar RCV yn ystod y cyfnod yn y modelau diweddaru RCV blynyddol.

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] Mae'r dyletswyddau statudol cyffredinol ar gyfer y rhan fwyaf o'n gwaith fel rheoleiddiwr economaidd a grynhoir yma wedi'u nodi yn adran 2Welsh:Deddf 1991.
[34] Mae'r ddyletswydd a grynhoir yma wedi'i nodi yn adran 108 Deddf Dadreoleiddio 2015.
[35] Yr Adran Fusnes a Masnach, 'Canllawiau statudol: Growth duty', 21 Mai 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]

[36] Mae'r ddyletswydd a grynhoir yma wedi'i nodi yn adran 149 Deddf Cydraddoldeb 2010.
[37] Mae'r dyletswyddau a grynhoir yma wedi'u nodi yn adran 40 Deddf yr Amgylchedd Naturiol a Chymunedau Gwledig 2006 ac adran 6 Deddf yr Amgylchedd (Cymru) 2016.
[38] Mae'r ddyletswydd a grynhoir yma wedi'i nodi yn rheoliad 9(3) Rheoliadau Cadwraeth Cynefinoedd a Rhywogaethau 2017.
[39] Mae'r dyletswyddau a grynhoir yma wedi'u nodi yn adran 85 Deddf Cefn Gwlad a Hawliau Tramwy 2000 (mewn perthynas â thir mewn ardaloedd o harddwch naturiol eithriadol), adran 11A Deddf Parciau Cenedlaethol a Mynediad i Gefn Gwlad (mewn perthynas â thir mewn Parc Cenedlaethol) ac adran 17A Deddf Llynoedd Norfolk a Suffolk 1988 (mewn perthynas â thir y Llynoedd).
[40] Mae'r ddyletswydd a grynhoir yma wedi'i nodi yn adran 28G Deddf Bywyd Gwyllt a Chefn Gwlad 1981.
[41] Mae'r ddyletswydd a grynhoir yma wedi'i nodi yn rheoliad 33Rheoliadau'r Amgylchedd Dŵr (Y Gyfarwyddeb Fframwaith Dŵr) (Cymru a Lloegr) 2017.

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, Rhagfyr 2025, t20; c Ofwat, Demand growth investment additional guidance, Chwefror 2026, t23.
[43] Ofwat, Demand growth investment additional guidance, Chwefror 2026, t23.
[44] Ofwat, Cost change process guidance note, Tachwedd 2025, t7.

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.

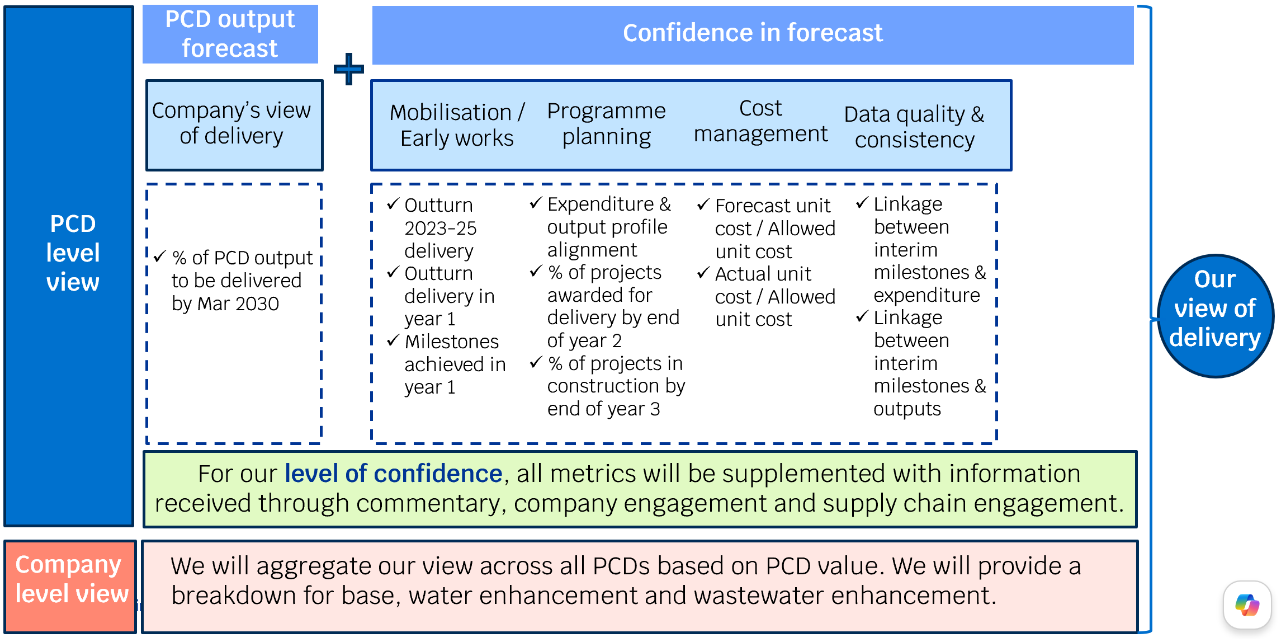
This approach is illustrated in the figure below. It shows the metrics we have considered to inform our view of delivery. These include:

- 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] Mae'n ofynnol i gwmnïau gyflwyno dau ddiweddariad i'r cynllun cyflawni bob blwyddyn ar sail heb sicrwydd, un ym mis Tachwedd ac un arall ym mis Mai. Mae'n ofynnol i gwmnïau hefyd gyflwyno a chyhoeddi diweddariad i gynllun cyflawni sicr trydydd parti unwaith y flwyddyn, gyda'r cyntaf yn ddyledus ar 17 Awst 2026.
[46] Gweler Adran 4.

- Data quality and consistency

Ffigur A2.1: Fframwaith asesu'r cynllun cyflawni



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, 'Cyfeiriadau Dŵr PR24, Penderfyniadau Terfynol PR24 Cyfrol 4: Dychweliad a ganiateir – pennod 7', Mawrth 2026
[48] Ofwat, 'Dogfen Penderfyniad Proses Newid Costau', Tachwedd 2025, t18
[49] Pennon, 'Cyflymu Buddsoddiad, Cyflwyno Newid Costau 2026', t28-29
[50] Thames Water, 'Cyflwyno Proses Newid Cost: Prosiectau Mawr', Ebrill 2026, t5

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 cyflwyniad newid costau: trosolwg technegol', t16
[52] CMA, 'Penderfyniadau Terfynol PR24 Cyfrol 4: Dychweliad a ganiateir', Mawrth 2026, t15
[53] Roedd hyn yn wir, er enghraifft, yn dilyn PR09 a PR14, gan ystyried symudiadau mewn beta ecwiti a chynnyrch giltiau.
[54] Hynny yw, y dylai cwmni sy'n wynebu'r risg hon ddisgwyl bod mewn sefyllfa niwtral yn y tymor hir (h.y. heb wynebu cosb na gwobr mewn termau net)
[55] Ofwat, 'Penderfyniadau drafft PR24: Dŵr Hafren Trent – Atodiad asesu ansawdd ac uchelgais'
[56] Southern Water, 'Cyflwyniad Newid Costau Southern Water' Mai 2026, t14-15

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

[57] Severn Trent Water, 'cyflwyniad newid costau 2026' t16
[58] [58] CMA, 'Penderfyniadau Terfynol PR24 Cyfrol 4: Dychweliad a ganiateir', Mawrth 2026, para 7,938, t215,
[59] Hynny yw, byddai'n anarferol i gwmni gynnwys cyfran wirioneddol o ddyled newydd uwchlaw cyfartaledd y sector ar draws rheolaethau prisiau lluosog. Roedd cyfran wirioneddol PR19 Southern o ddyled newydd yn is na'r dybiaeth dybiannol o 20% (ffynhonnell: Penderfyniadau Terfynol PR19: Atodiad technegol dychweliad a ganiateir ar gyfalaf, ffigur 6.1)
[60] Southern Water, 'Response to the CMA's PR24 Provisional Determination', Tachwedd 2025, para 7.76
[61] Ofwat, 'Llyfr Rheolau Cymodi PR24: Dogfen Ganllawiau' t9

changing figure for the time value of money in the reconciliations within the PR24 Reconciliations Rulebook.[62]

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

[62] Ar hyn o bryd mae'r cysoniadau hyn yn defnyddio un ffigur ar gyfer gwerth amser arian – y WACC cyfanwerthu PR24 FD.

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] Y gyfradd ddisgownt a ddyfynnir yw Cyfradd Ffafriaeth Amser Gymdeithasol y Llyfr Gwyrdd (STRP), a ddefnyddir wrth asesu prosiectau i adlewyrchu gwerth amser arian.

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

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

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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