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By email

Sir Robert Goodwill MP
Chair of the Environment, Food and Rural Affairs Committee
House of Commons
London
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Dear Sir Goodwill and members of the EFRA Committee,

PR24 Business Plan Submissions

As you may be aware, this week (Monday 2 October), water companies submitted their business plans for the next price review period from 2025-2030 (PR24). I want to take this moment to set out Ofwat's position, expectations and explain the work we are now doing to forensically scrutinise and challenge these proposals to ensure that water companies are making the investments required, while delivering a fair deal to customers. I recognise that water companies need to transform their performance to meet the expectations of their customers and the wider public.

The submission of business plans is an important first step that kickstarts the price review process, with final decisions due in December 2024. I have set out below the timeline for PR24. We are now seeking the views of customers and stakeholders on these plans – a crucial part of the PR24 process – and to ensure this, we would welcome the opportunity to cooperate closely with parliamentarians.

As we work through the business plans over the coming months, a priority will be to look at what the proposals mean for customers and the environment. Ofwat has made clear that companies must deliver value for money. Any increase in customer bills must be justified, efficient and deliver significant improvements in river quality and water resilience. And above all, they must be fair. We are clear that customers should only pay for new investment, and not for companies' past failings. We also recognise the importance of additional investment to improve environmental outcomes and resilience of services to climate change and a growing population.

We will also closely assess how companies are helping customers, particularly those who are most vulnerable, to afford any bill increases. Ofwat wants companies to build on the progress the industry has already made and take further action to identify and support customers who need extra help. We recently issued a [consultation on new guidance](#) on how we expect companies to support these customers. This guidance builds on our [new customer-focused licence condition](#) announced by Ofwat earlier this year and is expected to be introduced to

licences in 2024. This will place legal obligations on water companies to provide high standards of customer service and support.

We will continue to monitor companies' performance, hold them to account for delivering improvements and push them to build meaningful plans to change, including driving down leakage and pollution incidents. To drive this, Ofwat will set an incentive regime which rewards companies for effective delivery, and financially penalises them where they fall short.

Since privatisation, Ofwat's regulatory framework has enabled £200 billion of investment. In setting the price review, Ofwat will allow a reasonable balance of risk and return, so that companies can attract the funding required to deliver the investment programme and to link returns to performance for customers and the environment. Ofwat will also require companies to take account of their performance for customers and the environment, as well as financial resilience, when deciding whether to pay dividends.

We believe that robust enforcement of regulation lies at the heart of driving improvements, enabling more investment, better services, improved environmental outcomes and fairer bills. We therefore greatly value the interest of parliamentarians and wider stakeholders during the price review, to work together to drive the change needed to clean up our rivers and seas.

We are holding a series of public 'Your water, your say' meetings throughout October and November, at which customers and stakeholders will be able to ask questions and challenge each company on their business plan. MPs are encouraged to attend the meetings in their local area, and we urge you to spread awareness among constituents and interested stakeholders as an opportunity to feed into the process. The dates for each company are listed [here](#).

Below is an overview of the projected PR24 timeline:

2 October	Deadline for companies to submit Business Plans to Ofwat and to; plans publish their plans
October/November	Independently chaired 'Your water, your say' meetings for each company and their customers and stakeholders
May/June 2024	Ofwat publishes draft determinations for each company for consultation
December 2024	Ofwat publishes final determinations for each company
1 April 2025	Price Review period begins; customer bills from this date will reflect PR24 outcomes

We recognise that the publication of companies' business plans comes at a pivotal moment in the water sector's development, and we have clear ambition as a regulator. That is why we are driving companies to deliver significant infrastructure investment to reduce pollution and the use of storm overflows, improve river water quality and provide major new water resources. This will ensure that the water sector in England and Wales is able to meet the

challenges of climate change and population growth, while continuing to deliver reliable supplies of world-class drinking water.

I look forward to working closely with the committee and other parliamentarians in this upcoming period, and to having the opportunity to present any of the above to the committee in due course.

Yours sincerely,

David Black
Chief Executive, Ofwat