



By email to:

Chris Walters

Price Review Director

Ofwat

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[Portsmouthwater.co.uk](https://portsmouthwater.co.uk) |   

*Please ask for: Bob Taylor
Reference: BT/BT/170425*

17 April 2025

Dear Chris,

Delivering more for customers and the environment

Thank you for your letter of 18 March 2025 in response to mine of 18 February 2025.

In your letter you note that the overall level of investment allowed for in Ofwat's December 2024 final determination for the 2025-2030 period is higher than was included in our business plan submission of October 2023. (An additional £11m of a total allowance of £462m.) This results from Ofwat's assessment that our costs were below the efficient benchmark for day-to-day activities ("botex"), offset by allowed costs for our service improvement investments ("enhancement") that were below our estimates. You ask us to consider and set out how we will invest this additional regulatory funding over the 2025-2030 period.

As I described in my earlier letter, the cost forecasts included in our business plan were developed prior to submission of our plan in October 2023 and are now around two years old. We included significant efficiency challenges in our plan of between 15-20%, in addition to assumed ongoing productivity gains of 1% p.a.

Over the last six months we have developed a detailed delivery plan, including a full re-assessment of the costs of delivering key investments and maintaining the resilience of our assets. We have also re-tendered a number of our key delivery contracts and been through an organisational redesign, strengthening in particular our asset management capabilities. This has given us some confidence in our AMP8 costs but has also highlighted the emergence of new cost pressures. We remain committed to delivery of our plan, but these cost pressures will make it challenging, even with the higher cost allowances in the final determination.

Notwithstanding the emergence of these additional costs, in my letter of 18 February I committed to considering how, in the light of higher bill increases, we could provide additional help to our most vulnerable customers, over and above the commitments set out in our business plan. We recently re-established our independent Customer Scrutiny Panel, with a new Chair, and the group has established a vulnerability sub-group, comprised of experts from across our region. We remain committed to working with this expert group to understand where we can extend further the financial and other support that we offer to customers struggling to afford their bills. We have committed to publishing the results of the work with that group in our updated Vulnerability Strategy by the end of June 2025.

Should we outperform against our current expenditure forecasts we will consider further whether it is appropriate to reinvest some or all that outperformance, or whether it should be shared with customers under the normal sharing arrangements.

We remain committed to delivery of the business plan that we submitted in October 2023 and look forward to continuing to work constructively with Ofwat as we deliver for our customers and the environment.

As requested, we will publish this letter on our website to provide transparency for our customers and stakeholders.

Yours sincerely,



C R Taylor
Chief Executive Officer
Portsmouth Water