



Evidence against quality tests

Data, information and assurance



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Introduction

A key aspect in the development of our business plan has been how we have assured ourselves that our plan is high quality, ambitious and deliverable.

We are also confident that we have taken steps to ensure that data, information, and assurance is of a robust quality.

On 1 February 2023, the licences of South West Water and Bristol Water were merged, and South West Water took over responsibility for the supply of drinking water in the Bristol Water area, alongside its responsibilities for drinking water and wastewater services in its original area and the Isles of Scilly, and responsibility for the supply of drinking water in the Bournemouth Water area.

Our business plan spans the merged Company, and assurance activities have been carried out consistently across the Company.

This document lays out the steps we have taken to establish a governance structure that fully utilises the skills and experience of the Executive and Board to oversee the preparation of the PR24 business plan and ensures the Executive drive the progress of the ongoing programme.

It outlines how this has been achieved, in particular through the establishment of the Board PR24 Committee and the Executive Steering Group. The document summarises the areas of focus of these groups and the level of engagement throughout the development of the plan.

The governance structure and operational structure is however anchored within our existing framework.

The document also outlines the assurance processes implemented for core areas of the PR24 plan, which again are anchored within the Company's existing Integrated Assurance Framework.

It also lays out proof points and supporting evidence underpinning the Board Assurance Statement as well as other key aspects of compliance in the appendices to the document.

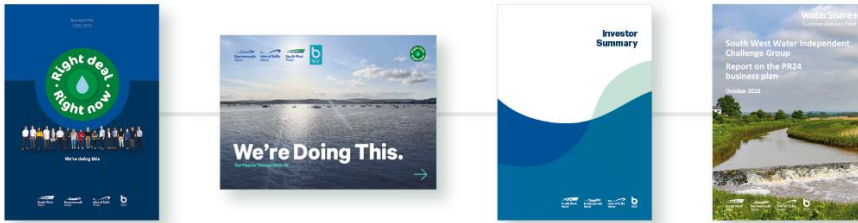
Key supporting reports of our independent third-party assurance parties are laid out in appendices to the report.

Our overview of Ofwat's Quality and Ambition Assessment is included within this document, however more detail is included in the relevant sectional documents

Document Map

The primary documents within the business plan submission are illustrated below. Other supplementary information, reports and documents are also referenced within these documents and can be accessed using a link in the document, where appropriate.

Level 1 • Main documents



Level 2 • Our strategic priorities



Level 3 • Evidence against quality tests



Level 4 • Supporting documents and data table commentaries



Strategic plans to 2050



Executive Summary

The Board has led the development of the plan which includes strong assurance and has been subject to detailed review and scrutiny throughout.

Strong Board leadership and governance has driven the new business plan. The Board has established a formal governance framework to deliver and scrutinise the 2025-30 Business Plan and other related key outputs. The Board relies on the Executive and their teams to ensure there is a clear line of sight in the development of the business plan and has put in place steering groups to guide delivery.



The Executive Steering Group has been key in driving the overall outcome of the plan, whilst individual members of the Executive have taken the lead in key areas of expertise to deliver a quality and ambitious plan.

Core to this has been the challenge and scrutiny given by the Board to satisfy themselves that the plan is of high quality, the strategy proposed is compliant with statutory and regulatory obligations and the company has set stretching targets whilst remaining financially resilient.

The table below outlines the areas where the Board have given particular focus and challenge and how the Executive has responded:

Key challenges from the Board	Response from the Executive
Ambition and challenge of the outcomes	Outcome targets have been set at industry leading or reflecting a continued improvement across our regions. Proposals are based on our customer research and priorities and reflect an appropriate risk return balance which being stretching.
Ambition and focus on storm overflows	Our plan accelerates the long-term targets, tackling all bathing waters by 2030 – 20 years head of the 2050 target. We are seeking a mixture of storage and catchment improvements to deliver these ambitions
Smart metering approach	Metering policy updated to reflect any new or replacement meters should be digital
Lead replacement	Water quality is a key area of focus, and the plan reflects an increase in activity for lead replacement – which is a key focus for regulators.
Tariffs and positioning	Progressive tariffs are being developed to support affordability whilst also reflecting customer usage when demand is most challenging.
Bills and affordability	Bill profiles smoothed where possible to achieve a stable of increase in bills to 2030 Some PR19 adjustments have been applied to RCV to reduce bill impacts
Financeability	Financial scenarios have been tested, external assurance and review by third parties

A key aspect in the development of the South West Water business plan has been the approach the Board has taken to assure itself that the plan is high quality, ambitious and deliverable. It is founded on customer and stakeholder priorities and is compliant with all legislative and regulatory obligations.

The Board has also been focused on ensuring our plans continue to make a tangible difference to communities and customers, ensuring through extensive engagement we have the right priorities for each community we serve.

Our Board has set the assurance strategy and approach, whilst the Executive have implemented this strategy.

High quality and ambitious plan

The Board have been engaged at all stages in the development of South West Water's Business Plan for 2025-30. In line with customer and other stakeholder engagement they have set the objectives for the plan, which is both ambitious in respect of delivering significant improvements against key performance commitments in the outcomes which we are prioritising and reflective of the extensive engagement we have performed to establish the willingness of customers to pay for these priority areas.

The scale of the plan reflects well justified business cases, which have been thoroughly reviewed by the Board to ensure they represent efficient means of delivering the priorities. For example, the investment proposed to reduce the use of storm overflows in the South West area is judged by the Board to significantly reduce risks in respect of storm overflows and provide a significant improvement to the wastewater treatment process in the long term.

Assurance of the Plan

Assurance has been central to the Board's decision-making process and business cases have been thoroughly and robustly developed, utilising both internal and external specialists, and subject to levels of assurance commensurate with the scale of the proposals. This has been provided in line with our Integrated Assurance Framework, utilising our external technical and financial assurance partners as well as other specialists when deemed necessary.

The Executive has engaged across all aspects of assurance (both internal and external) whilst the Board has reviewed outputs of the third-party assurance in considering Business Plan. This integrated assurance process includes robust internal checks with Senior Manager and Director sign-off, quality control and review complemented by independent external assurance.

South West Water has considered each area of the quality and ambition assessment framework specifically to be able to provide assurance on the overall quality and ambition of the plan. In addition specific external reviews have been completed on key areas of estimates such as cost models, financial modelling, and key plan inputs. A programme of external audits has been undertaken in respect of data tables.

The Board is providing a detailed Assurance Statement. This statement aligns to Ofwat's final methodology and is supported by back-to-back statements from the Executive. External assurance has been targeted in specific areas to support the confirmations included in the Board Assurance Statement and we have included a summary of proof points and assurance to support this statement in Annexe A.

External assurance has been completed for both financial and technical areas of our plan, and feedback has been received throughout the programme as we as in support of the final assurance statements.

Summary of assurance (including third-party assurance)

The Board has approved its Board Assurance Statement in the light of its oversight and assurance activities conducted in each of the following areas:

Key consideration in approving the Board Assurance Statement	How the Board considered this aspect of its assurance
Data, information, and assurance	<ul style="list-style-type: none">• Robust application of Integrated Assurance Framework• Full sign-off process to Director level• Targeted additional internal QA reviews• All data tables assigned to external assurers (KPMG, T&T and Jacobs)
Long-term delivery strategy	<ul style="list-style-type: none">• Through development of long-term delivery strategies in line with WINEP, DWMP, WRMP processes• External assurance on long term-delivery strategies in line with track record of delivery by external technical assurers, Jacobs
Customer engagement, affordability, and acceptability	<ul style="list-style-type: none">• Extensive customer engagement process at all stages of development of the business plan• Oversight by the WaterShare+ Customer Advisory Panel• Review, by technical assurers (Jacobs) focusing on the flow through of outputs of customer engagement into the wider business plan• KPMG review of charges and fee outputs for affordability considerations
Costs	<ul style="list-style-type: none">• Technical assurance of DWMP, WRMP and other significant scheme areas for compliance with guidance and methodology, including in option development• Financial assurance (KPMG) of the application of South West Water's cost models, the data included within cost models• Financial assurance of all PR24 data tables relating to cost• External third line assurance of all proposed cost adjustment claims
Outcomes	<ul style="list-style-type: none">• Development of outcomes in line with track record of prior delivery• External technical assurance covering:<ul style="list-style-type: none">○ Historical performance in line with previously assured data○ Forecast 2023/24 and 2024/25 performance in line with reasonability of forecasts○ 2025/26 performance in line with long-term delivery strategies
Risk and reward (financeability and financial resilience)	<ul style="list-style-type: none">• External third line assurance on our financeability and financial resilience

Key messages



Strong Board leadership and governance over the business plan throughout development of the 5 year plan and long-term strategies.



The WaterShare+ Customer Advisory Panel has provided additional challenge on key elements of our plan, ensuring it is anchored in customer views. The Board has engaged directly with the Panel to provide customer views on the plan.



Extensive review and assurance of all business plan data submissions, utilising our integrated assurance approach.



The Board has challenged the Executive on all elements of the plan through the established PR24 sub-committee

Overview of our Governance structure

The role of the Board

South West Water remains committed to operating its business adhering to the highest standards of corporate governance. We see strong governance as central to the successful management of any company, and the framework for the effective delivery of our own strategy and sustainability objectives.

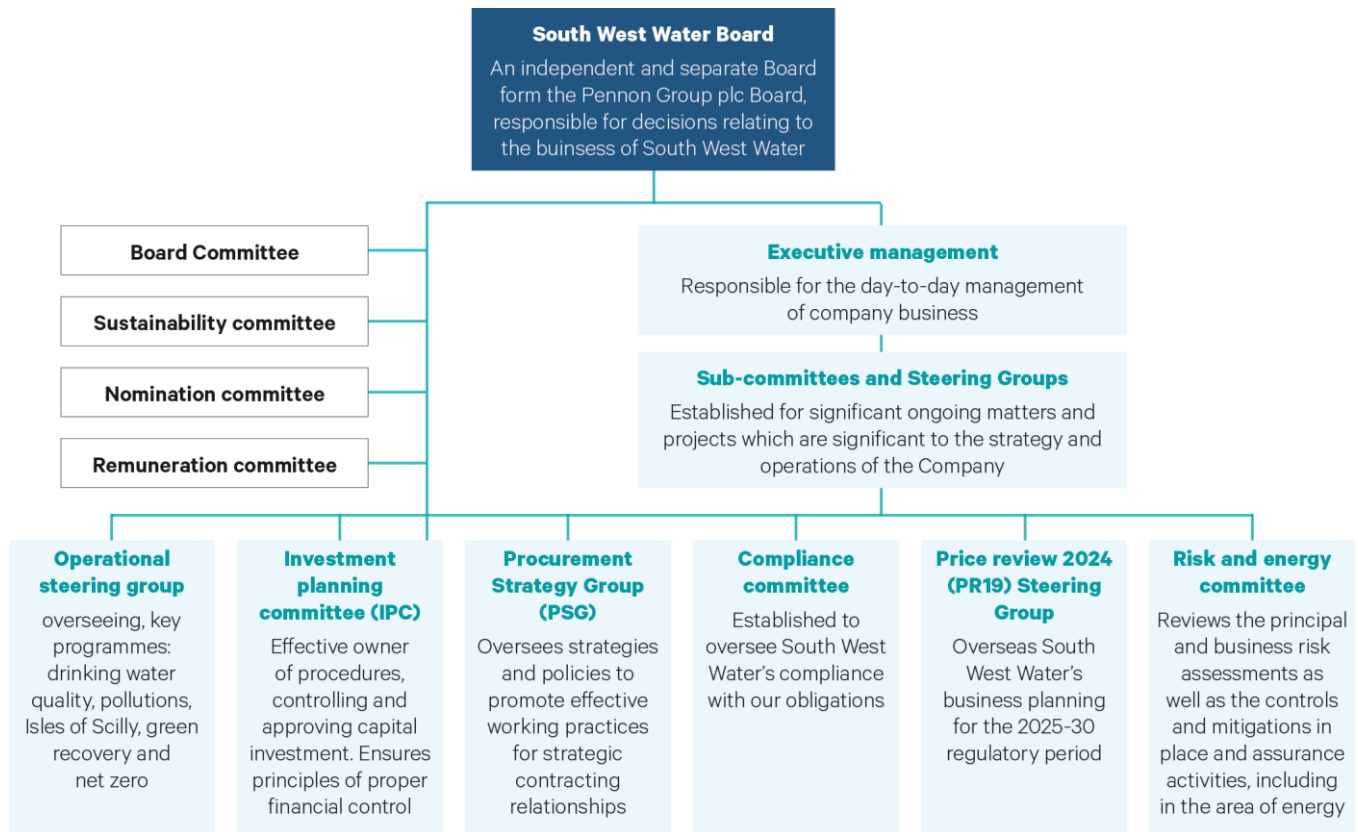
The South West Water Board has in place a well-established and effective set of policies and procedures covering corporate governance, internal control, and risk management.

South West Water follows Ofwat's Board leadership, transparency, and governance – principles. South West Water is a wholly owned subsidiary of Pennon Group Plc, a FTSE 250 company with shares listed on the London Stock Exchange. As a listed company, Pennon Group Plc is required to comply with the UK Corporate Governance Code. The Company and Group follow both the spirit and the letter of the code and principles.

The Board is responsible for ensuring effective governance and oversight of its operational business. The key areas include:

- Reviewing strategies, policies, management, initiatives, and performance of South West Water
- Ensuring that South West Water conducts its business in a responsible manner in relation to environmental, social and governance matters
- Reviewing systems, internal controls, and risk assessment processes.

The South West Water Board comprises the Non-Executive Chairman, three Executive Directors and seven Non-Executive Directors, six of whom are considered by the Board to be independent. All of the Non-Executive Directors are considered to have the appropriate skills, experience in their respective disciplines and character to bring independent and objective judgment to the Board's deliberations and to represent customers' interests.



The company utilises an Integrated Assurance Framework as described in its published Assurance Plan, which is applied to all assurance requirements, including those identified in the Assurance Plan as significant areas for assurance (such as the PR24 business plan submission).

In line with this framework formal procedures have been implemented covering:

- Planning
- Responsibility for the preparation of data and commentaries
- Controls and checks
- External financial assurance
- External technical assurance
- Authorisation and certifications
- Follow-up actions from assurance.

A central project team has driven development of our plan, working with experts across the business and with external support where needed.

Strategic leadership through the development of the plan has been given by the Board through ongoing updates and approval of material strategic matters.

The Non-executive Directors have provided robust challenge to the Executive Directors in relation to the strategy and content of the plan, including meeting with customers and stakeholders including the WaterShare+ Customer Advisory Panel.

The Board's priorities for its PR24 plan:

The South West Water Board has been engaged at all stages in the development of South West Water's business plan for 2025-30. In line with customer and other stakeholder engagement they have set the objectives for the plan, which are both ambitious in respect of delivering significant improvements against key performance commitments in the outcomes which we are prioritising and reflective of the extensive engagement we have performed to establish the willingness of customers to pay for these priority areas.

The Environmental investment and commitments contained in the plan are greater and more stretching than for any five-year period in the Company's history. These plans build upon our 'WaterFit' plans introduced in 2022, and other plans, to deliver multiple environmental benefits further and faster with a new ambition. This new ambition has been maintained as the Company has developed its plans for the 2025-30 regulatory period.

The scale of the plan reflects well justified business cases, which have been thoroughly reviewed by the Board to ensure they represent efficient means of delivering the priorities. For example, the investment proposed to significantly upgrade monitoring of wastewater outflows and reduce the impact of our services upon bathing waters and rivers throughout the year have been subject to rigorous option analysis throughout the development of the plan to ensure the benefits delivered are both those prioritised by customers and other stakeholders and are deliverable efficiently.

The Board has overseen the process from the outset, for example by reviewing and challenging the draft and final versions of our Water Quality Plan, our Water Resources Management Plan (both at a Company and Regional level), our Drainage and Wastewater Management Plan and our Water Industry National Environment Plan (WINEP) submissions. With our plan for 2025-30 proposing such significant investment and stretching performance commitments, formed crucial building blocks in our wholistic plan – and the Board viewed it was critical that they were considered comprehensively in the round.

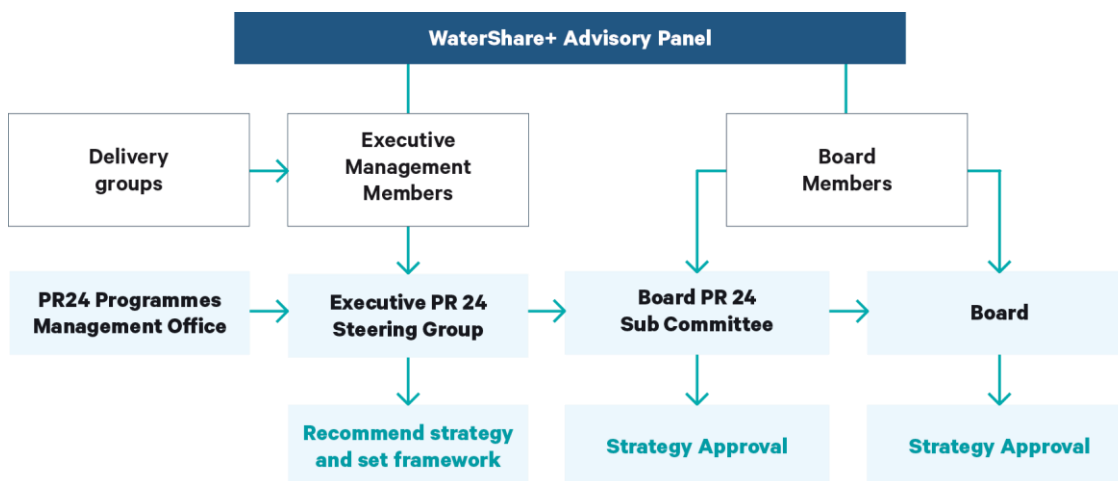
It has reviewed this assurance when considering the significant plans described above, business cases included within the full business plan and in other key aspects of the 2025-30 Business Plan.

Assurance has been central to the Board's decision-making process and business cases have been thoroughly and robustly developed, utilising both internal and external specialists, and subject to levels of assurance commensurate with the scale of the proposals. This has been provided in line with our three-line Integrated Assurance Framework, utilising our external technical and financial assurance partners as well as other specialists when deemed necessary.

Overview of Committees and groups established to oversee the Company’s PR24 Business Planning process:

Throughout the development of the business plan we have undertaken a fully transparent process in compliance with its own Board leadership, transparency, and governance Code as well as the UK Corporate Governance Code.

A PR24 sub-committee of the Board was specifically established to review proposals in detail and recommend action to the Board. In addition, the Executive Management formed a Steering Group to give direction, monitor and agree specific outputs during the development of the plan.



The key specific committees, groups and workstreams established, ultimately reporting to the Board, are summarised below:

Forum	Chair	Members	Frequency	Role
South West Water Board	Chair of the Board	All members of the Board to be informed and consulted throughout the PR24 planning process through regular Board meetings.	Once every two months	Oversight and challenge Fulfilment of board assurance requirements as set out by Ofwat
PR24 Board Committee	Independent Non-Executive Director	Subgroup of the Board	Once every two months and more frequently as required	Oversight and challenge. Engagement on key inputs and submissions.
PR24 Steering group	Chief Executive Officer	Executive Management members PR24 programme managers and other relevant Senior Managers	Fortnightly	To oversee progress and make key decisions and recommendations to the Board.
PR24 delivery groups	Various	Executive Management members PR24 programme managers Work package leads by agenda topic	Fortnightly	To shape the direction of the business plan, ensure it is adequately resourced, manage risks and opportunities, oversee delivery, oversee assurance

Regulatory inputs:

Regulatory inputs and feedback are received and reviewed by the PR24 Executive Steering Group and key regulatory inputs are reviewed by the PR24 Board Committee, in line with its terms of reference to “consider strategic or regulatory communications, including communications to all external stakeholders.” Key regulatory inputs and consultations considered by the Executive Steering Group have included the following:

- PR24 methodology
- General consultation responses
- Adaptive planning consultation
- Affordability consultation response
- Performance commitment consultation
- ODI rate consultation
- Defra accelerated projects submission
- DWI submissions and feedback
- WRMP submissions and feedback
- DWMP submissions and feedback
- WINEP submissions and feedback

See page the following page for a summary of matters, including regulatory inputs, subsequently considered by the Board Committee.

PR24 Executive Steering Committee

The PR24 Executive Steering Committee, was established in 2021 to oversee and drive the PR24 business, set and approve South West Water strategy for PR24, and deliver the PR24 business plan in line with the overall company strategy.

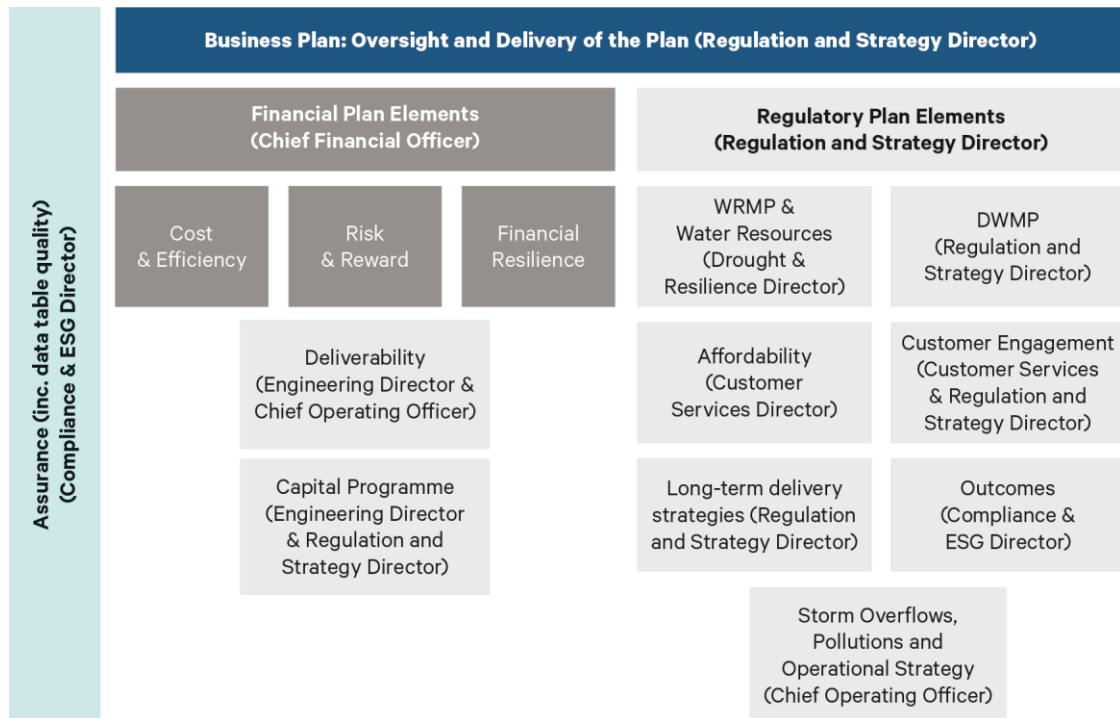
It is Chaired by the Chief Executive Office, managed by the Group Regulation and Strategy Director, who has overall responsibility for delivering the PR24 Business Plan, and its membership comprises the full Executive of South West Water.

The Steering Committee has met more than 30 times in preparation for submission of the PR24 business plan and its key matters have included:

Core area	Key matter considered by the committee
General/data, information, and assurance	<ul style="list-style-type: none"> • General PR24 programme updates at every meeting • PR24 assurance approach
Long-term delivery strategies	<ul style="list-style-type: none"> • Long-term delivery strategies approach • WINEP, DWMP and WRMP • Mendip Strategic Resource Option (SRO) • Water resources regional plans • 2050 vision
Affordability	<ul style="list-style-type: none"> • Prospect for prices • Progressive charges
Cost and outcomes	<ul style="list-style-type: none"> • Asset management and capital plans • Outcomes approach and agreement for the proposed targets with operational input • Bioresources • Operational and base costs • Bespoke performance commitments
Risk and return	<ul style="list-style-type: none"> • Financial resilience • Operational resilience
Customer engagement	<ul style="list-style-type: none"> • Research and engagement strategy

- IT and customer
- Customer experience

Individual Executives have taken responsibility and the lead in key areas, bringing reports, proposals, and information through the Executive Steering Group and onto the Board PR24 Committee.



PR24 Board Committee Engagement

The PR24 Board Committee was established to provide an overview of the PR24 activity to the Board.

It is Chaired by Iain Evans, an Independent Non-executive Director and the membership comprises members of the Board.

The Board Committee oversees and drives the PR24 business, sets and approves Pennon/South West Water/Bristol Water strategy for PR24, and appoints and oversees other relevant executive committees and activities to ensure the delivery of the PR24 business plan in line with the overall Company strategy.

The Committee's terms of reference lay out that it shall:

- Provide oversight and guidance on the Pennon/South West Water/Bristol Water strategic position with regard to PR24
- Agree strategic approach to engaging with regulators and stakeholders, including responses to Ofwat consultations
- Ensure effective systems, policies and resources are in place to allow assurance of the business plan inputs and outputs
- Review, guide and approve the preparation of PR24 outcomes, performance commitments and targets, and proposed investment plans
- Provide challenge to the development of outcome delivery incentives (ODIs) in line with the Company overall strategy
- Consider the engagement with customers to understand their priorities and preferences, and demonstrate that the plan is aligned with their views

- Consider the process for collection and assurance of cost information required to develop inputs to modelling processes and demonstration of efficient costs
- Consider the process for collection and assurance of data and associated commentaries required for the business plan and population of business planning data tables
- Consider all regulatory submissions including the production of business plan documents and business plan tables
- Consider all PR24 submissions for final Board approval
- Consider strategic or regulatory communications, including communications to all external stakeholders
- Review outputs from the Customer Challenge Group, or equivalent as set out in Ofwat’s methodology, as appropriate

The Committee Chair reports formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

The Board Committee makes whatever recommendations to the Board it deems appropriate on any area within its remit where action of improvement is needed.

Member	Iain Evans	Gill Rider	Neil Cooper*	John Butterworth	Claire Ighodaro	Loraine Woodhouse	Dorothy Burwell	Susan Davy	Paul Boote	John Halsall#
Role	Committee Chair	Board Chair	Independent Non-executive Directors					Group CEO	Group CFO	Group COO
Attendance	11/11	8/11	10/10	8/11	8/11	6/7	6/7	11/11	10/11	4/7

* As planned, following the completion of his 9 years as Non-executive Director Neil Cooper resigned from the Board on 31 August 2023.

** Loraine and Dorothy joined the Board following the establishment of the PR24 Board Committee

John Halsall was appointed to the Board on 10 July 2023 having joined the business in January 2023.

The Board Committee has also invited other individuals and external advisers for all or part of meetings, as and when appropriate.

The Board Committee has been engaged with the process since its establishment and throughout the development of the business plan. The key matters considered by the Board Committee are as follows:

Forum	May 22	Sep 22	Nov 22	Jan 23	Mar 23	May 23	Jul 23 (1)	Jul 23 (2)	Aug 23 (1)	Aug 23 (2)	Sep 23
Terms of reference	✓										
PR24 programme update	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
PR24 methodology	✓										
Drainage & Wastewater Management Plan (DWMP)*	✓	✓			✓	✓					
Water resources Management Plan (WRMP)*	✓	✓									✓
DWI programme				✓	✓						
Prospects for prices					✓	✓					
Customer and stakeholder engagement					✓	✓	✓				

Forum	May 22	Sep 22	Nov 22	Jan 23	Mar 23	May 23	Jul 23 (1)	Jul 23 (2)	Aug 23 (1)	Aug 23 (2)	Sep 23
Investment plan (inc. WINEP*)			✓	✓		✓		✓			
Outcomes/targets						✓		✓		✓	
Progressive charging						✓	✓				
Delivery partner appointment						✓					
Risk and return							✓	✓			
Assurance									✓		✓
In person feedback from WaterShare+ Advisory Panel					✓			✓			✓

* Some items were covered additionally by the Board, reflecting delegations and submission requirements.

Our integrated assurance framework

Our Assurance Plan and Risks, Strengths, and Weaknesses Statement

South West Water’s 2023/24 Risks, Strengths and Weaknesses Statement and Final Assurance Plan is published at southwestwater.co.uk/report2023 and includes details of our overall assurance framework. It includes PR24 as a significant strategic return as a significant area for assurance.

Our integrated assurance approach

South West Water has a mature, risk-based integrated assurance framework which is fully embedded into our governance structures and reflects our values of being ‘trusted’ and ‘responsible’ in the way we carry out our business.

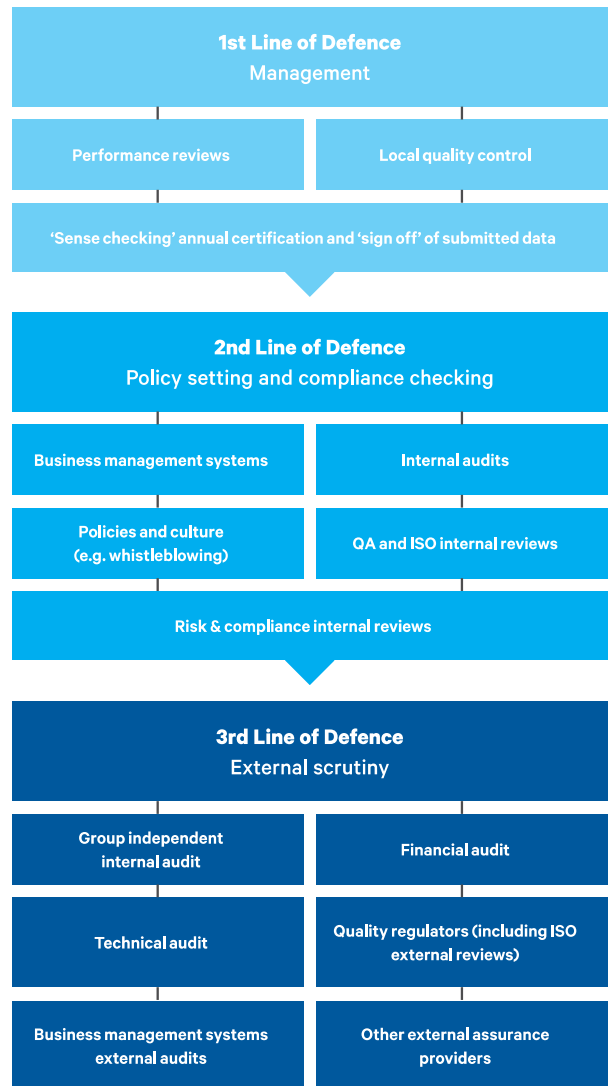
This integrated assurance approach ensures an appropriate balance of assurance is applied dependent on the assessed risk and complexity of assurance requirements.

The integrated assurance framework is applied to all areas of the business, including all significant areas for assurance identified in this Assurance Plan and key projects as they arise. The mix of assurance methods used is reviewed by the South West Water Audit Committee, which is responsible for ensuring a robust and comprehensive internal control framework is in place to support Board assurance and compliance requirements.

The South West Water Board recognises the importance of meeting the Company’s statutory, licence and regulatory obligations and believes that the Company is aware of and adequately understands these obligations and has met them in all material respects as a diligent company.

This Assurance Plan details key assurance activities that the Board will oversee, and our annual reporting will lay down further detail on the outcome of these assurance activities and the Board’s conclusions.

The application of this framework is overseen by the Risk and Compliance team, led by the Compliance Director, who oversees compliance across South West Water.



The effective operation of our first- and second-line procedures

All data submissions are subject to an enhanced compliance procedure which builds upon the three lined approach of the long-established Integrated Assurance Framework, including those in respect of PR24.

For significant and strategic submissions, such as the WRMP, DWMP, and final data tables, this includes the requirement for independent assurance from either external technical specialist providers or the independent Group Internal Audit, alongside a formal 1st line sign-off process up to Executive Director level, supplemented by additional 2nd line data checking and validation.

Data and applicable methodology are subject to ‘in the line’ reviews by the nominated senior manager reviewer and accountable Director. These checks will include aspects such as the extent to which the methodology complies with the relevant guidance, the source of data used in calculations and judgements and assumptions applied.

Where submissions are low risk/complexity and are not strategically significant, at a minimum a sign-off process will still be implemented, with additional processes as determined appropriate and agreed with the Compliance function.

South West Water operates a centralised approach to second line assurance via the South West Water Risk and Compliance function. This function plays a critical role for ensuring the effectiveness of the process from the first line assurance through to coordinating the third line assurance (detailed below).

The Risk and Compliance function will also perform targeted checks, which are determined by the specific regulatory data being reported but will typically include ensuring first line checks have been completed and evidence, tracing data back to source systems and checking the accuracy of calculations.

The Risk and Compliance function will also review the output from third line assurance activity and support individual functions in implementing any improvements that have been highlighted through the assurance process.

Overview of our approach to third party assurance

Once second line assurance checks have been completed external third line assurance is undertaken as part of our annual external technical audit which is completed by our external technical and financial assurers

For the PR24 process all data tables submitted as part of our final submission, as well as significant submissions throughout the process are subject to this independent third line assurance.

This is key to South West Water's assurance approach for such submissions. The external technical audit covers all the data tables, including historic data, 2023/24 and 2024/25 forecast data, as well as business planning data for AMP8 and beyond. Subject to risk-based considerations across the data tables and other submissions detailed testing and challenge is performed including:

- A review of documented methodology and commentary for compliance with internal and external reporting requirements as well as definitions within the PR24 final methodology and other relevant information (such as Regulatory Accounting Guidelines 4 (RAG4))
- The documentation of assumptions, and whether they are reasonable
- The production of data in accordance with the documented methodology
- Consistency of data with previously reported information
- Preparation of the data in accordance with relevant Ofwat guidance, including amendments to guidance and queries
- A review of any proposed exceptions for ODIs as well as processes for challenging any judgemental classifications
- The format of data for publication
- South West Water internal review and sign-off procedures.

Although the historical technical audits are primarily focused on the accuracy of the data being reported, especially in respect of more substantial data such as ODIs, the audits consider the underlying performance trends and factors impacting upon performance, with recommendations made where appropriate.

Audits of future data, consider the development of the forecasts in the round alongside other elements of the business plan, and for example in the area of outcomes, in line with South West Water's previous track record of delivery.

Following each audit, South West Water receives a summary of each audit and action areas/recommendations/observations ranked by importance and these actions/recommendations are tracked for future improvements to our reporting processes.

Primary third-party financial assurance provider

For PR24, South West Water has appointed KPMG as its main external financial assurance provider. This appointment has been made following assessment of relevant experience and performance, for example when fulfilling a similar role at PR19.

South West Water has considered potential conflict of interest considerations in this appointment. KPMG do not create any significant conflict of interest issues – as they are not our statutory accounts auditors (EY) nor the lead Ofwat advisor for reviewing business plans.

Primary third-party technical assurance providers

South West Water has appointed both Turner & Townsend and Jacobs to provide third party technical assurance over relevant areas of its business plan. These appointments have been made following assessment of relevant experience and performance, for example in performance as APR technical assurers.

Additional specific areas

Where necessary in addition to the appointment of these three primary third party assurers, South West Water has obtained other specific third-party assurance in specialist areas by specialist providers where deemed appropriate, for example:

- Customer engagement – Frontier Economics completed an independent synthesis report collating insight from around 40 separate reports to give a clear customer viewpoint on priorities for investment and preferences for solutions.
- Financeability & credit status – alongside assurance of the financial data tables (and modelling) KPMG has also provided analysis and assessment of our financeability and financial resilience assessments.
- Overview of our plan – we have engaged Fingleton’s to provide an overview of our business plan, it’s compliance with guidance and expectations, as well as identify key messages and areas of improvement as we have developed our plan.

Independent assurance provided by the WaterShare+ Customer Advisory Panel

We have taken a five-stage approach which enables us to be confident that we have exceeded Ofwat’s principles for high quality research, customer challenge and assurance. This approach aligns with our integrated assurance framework as set out in our 2023 Annual Report.

1. Self-challenge and assurance
2. Independent technical assurance
3. Expert independent assurance of research process, quality, and conclusions
4. Customer review and challenge – WaterShare+ Customer Advisory Panel
5. Board Assurance

The fourth stage of this approach is our innovative WaterShare+ Customer Advisory Panel challenge and scrutiny.

The Panel has direct and unprecedented access to our Executive and Board. This includes attendance by the Panel Chair and Vice Chair of the PR24 Sub Committee of the South West Water Board to provide an update on customer challenge progress and raise any issues. WaterShare+ enables direct customer challenge as well as challenge by the independent panel members. The Panel members are fully independent from the company. No restrictions or expectations are placed on the panel that would compromise their independence. The Panel has produced an independent report which has which is being published in full.



For more information see

Report on the PR24 business plan

More extensive details of our WaterShare+ Customer Advisory Panel are provided in our 'Engagement and Affordability' document



For more information see
**Engagement
and affordability**

Compliance with our obligations

South West Water has a number of statutory obligations including those within the Water Industry Act, the South West Water Licence, Competition Act, and the Strategic Policy Statement (SPS) issued by Defra.

We worked with our regulators and stakeholders including the Environment Agency, Drinking Water Inspectorate, Natural England and CCW (Consumer Council for Water). We included a programme of interventions within our business plan that is compliant with the Defra Strategic Objectives and the Water Industry National Environment Programme (WINEP) as far as:

- Full scale interventions are only made at locations where there is a clear need to invest. Investigations will be undertaken at other locations within the WINEP where we believe the need to invest in a full-scale intervention is uncertain.
- Subsequently, if it is found that full scale intervention is required, the investment will be made in order to meet the requirements of the WINEP in 2020-25.
- This approach has been endorsed by the relevant regulators.
- The WaterShare+ Customer Advisory Panel has attended separate meetings with our stakeholders to consider the legislative obligations and how these are satisfied within our plan.

South West Water has fully engaged in the WRMP and DWMP processes and these have been run as integrated processes with the overall PR24 business plan programme at South West Water. Key proposals of these plans have been included within the PR24 investment programme proposed.

Compliance with our licence

A report was prepared and considered by the Board of Directors which identifies the relevant factors and obligations within our statutory licence and the means by which we are compliant in all material aspects with those obligations. A summary of our compliance is included as an appendix to this document.

Summary of key third-party assurance providers

The table below summarises where we have obtained substantive third-party assurance in respect of key areas of the business plan:

QAA areas	KPMG	Jacobs	T&T	Other
Long term delivery strategies (including DWMP, WRMP and WINEP)		✓		
Affordability <ul style="list-style-type: none"> cost benefit analysis of investments overarching review 		✓		
Cost and outcomes <ul style="list-style-type: none"> cost model assurance outcomes deliverability (site visits and ground truthing) deliverability (performance stretch) 	✓	✓		Chandler KBS External endorsements: The Smallpiece Trust, CECA, British Water, The UK Society for Trenchless Technology and Future Water Association Oxera and ICS
Risk and return <ul style="list-style-type: none"> Financeability review Financial resilience 	✓ ✓			
Customer engagement <ul style="list-style-type: none"> line of sight review research and collation review research peer review 		✓		ICS, Frontier Economics Professor K Willis
Data, information, and assurance <ul style="list-style-type: none"> Board Assurance Statement review Data tables assurance 		✓ ✓	✓	
Other assurance/third-party insight	KPMG	Jacobs	T&T	Other
Strategic review of our plan				Fingleton
Costing components - DWMP and WRMP	✓			
Enhancement business case review		✓	✓ ⁽²⁾	
CMA undertakings in respect of South West and Bristol merger				Internal Legal review
WaterShare+ Customer Advisory Panel Report and oversight				WaterShare+ Advisory Panel
Base cost modelling, cost efficiency, and cost adjustment claims	✓			Oxera
DPC, SRO and bioresources	✓			

QAA areas	KPMG	Jacobs	T&T	Other
Net zero & GHG performance				Skewb

The Board Assurance Considerations – Approach

The South West Water Business Plan as well as the accompanying data tables submitted highlight the Company’s proposals for the next five-year period 2025-30.

The South West Water Board’s approach to the governance and submission of the requested submission of proposed performance commitment definitions (the submission) is aligned to South West Water’s Integrated Assurance Framework.

In line with Ofwat’s assurance and governance expectations, this statement details South West Water’s Board approach to how the Board:

- has satisfied itself that the systems, approach to risk management, and internal controls and processes in place to develop the data and information on which it based its decisions was appropriate and effective
- is confident that the overall strategy for data assurance and governance processes delivers high-quality data across all aspects of the plan and long-term delivery strategy
- is confident that it had access to a complete and transparent view of the Company’s historic and expected performance historic and expected performance when making decisions
- is satisfied that all the elements add up to a submission is high quality in the round
- has challenged and demonstrated how it has satisfied itself that its submission will deliver operational, financial, and corporate resilience over the 2025-30 period and long term
- is able to confirm and explain in this assurance statement that the Company’s business plan is deliverable and will enable the Company to meet its statutory and licence obligations, now and in the future
- has been involved with the testing of assumptions that underpin the submission is fully aware of the impact that alternative assumptions may have, and in particular how the range of skills and experiences from the whole Board have been used to test the impact of the assumptions on the wider stakeholder base.

The Board’s priorities

The Board have been engaged at all stages in the development of South West Water’s Business Plan for 2025-30. In line with customer and other stakeholder engagement they have set the objectives for the plan, which is both ambitious in respect of delivering significant improvements against key performance commitments in the outcomes which we are prioritising and reflective of the extensive engagement we have performed to establish the willingness of customers to pay for these priority areas.

The scale of the plan reflects well justified business cases, which have been thoroughly reviewed by the Board to ensure they represent efficient means of delivering the priorities. For example, the investment proposed to reduce the use of storm overflows in the South West area is judged by the Board to significantly reduce risks in respect of storm overflows and provide a significant improvement to the wastewater treatment process in the long term.

Assurance has been central to the Board’s decision-making process and business cases have been thoroughly and robustly developed, utilising both internal and external specialists, and subject to levels of assurance commensurate with the scale of the proposals. This has been provided in line with our Integrated Assurance Framework, utilising our external technical and financial assurance partners as well as other specialists when deemed necessary.

The Board have reviewed outputs of this assurance in considering business cases included within the Business Plan.

Governance and strategic leadership

The South West Water Board has in place a well-established and effective set of policies and procedures covering corporate governance, internal control, and risk management.

The Company utilises an Integrated Assurance Framework as described in its published Assurance Plan, which is applied to all assurance requirements, including those identified in the Assurance Plan as significant areas for assurance (such as the PR24 business plan submission).

In line with this framework formal procedures have been implemented covering:

- planning
- responsibility for the preparation of data and commentaries
- controls and checks
- external financial assurance
- external technical assurance
- authorisation and certifications
- follow-up actions from assurance.

A central project team has driven development of our plan, working with experts across the business and with external support where needed.

Strategic leadership through the development of the plan has been given by the Board through ongoing updates and approval of material strategic matters. In addition the Executive Management formed a Steering Group to give direction, monitor and agree specific outputs during the development of the plan.

The Non-executive Directors have provided robust challenge to the Executive Directors in relation to the strategy and content of the plan, including meeting with the WaterShare+ Advisory Panel.

Throughout the development of the Business Plan we have undertaken a fully transparent process in compliance with our own Board leadership, transparency and governance Code, Ofwat's Board leadership, transparency, and governance principals, as well as the UK Corporate Governance Code.

Executive back-to-back sign-off approach

The Board Assurance Statement is being signed off on a back-to-back basis with the Executive to ensure a transparent and comprehensive sign-off and all levels and across the business.

- Individual Directors, have signed an individual certificate covering aspects of the business plan process within their areas of responsibility
- Following the individual sign-offs, the Executive have provided a full sign-off of the proposed Board Assurance Statement providing proof-points and evidence (see Annexe to this document) to provide confirmation and assurance to the Board
- The Board have on the basis of the above sign-offs, evidence provided and challenge and scrutiny through the Board Committee, been able to sign the Board Assurance Statement provided within this document.

Business Planning and Assurance

The business plan has been designed to ensure that as a whole it is high quality and consistent. The central team supported by specialists across the business and outside of the business have co-ordinated a thorough, extensive, and joined-up process.

South West Water has utilised its integrated assurance framework to design an assurance process which ensures that individuals across the business have reviewed and certified the methodology, data and commentary which form the building blocks of our business plan. These internal processes have been complemented by comprehensive external assurance.

Responsibilities for data, methodologies and commentaries have been allocated across relevant sections of the business and Senior Managers and Directors have provided internal assurance through robust reviews and individual assurance statements in respect of all data tables and other significant data relevant to the business plan.

South West Water has engaged technical assurance partners to confirm compliance with Ofwat's methodology and reporting requirements as well as to rigorously challenge the Company's submissions.

We have also employed the services of a financial assurance partner. In line with considerations in respect of the South West Water Code and the UK Corporate Governance Code, we have employed a firm separate to our statutory financial auditor. A rigorous data mapping process has been undertaken to ensure that all data within data tables and other relevant data is appropriately externally assured by the relevant external assurer.

The scope of the external assurance process in respect of the business plan has been to:

- consider our plans against the Ofwat methodology and price setting framework
- review and challenge the appropriateness of the assumptions, estimates and projections used in our financial modelling, data tables and wider business plan
- consider the robustness of any supporting documentation assure the accuracy and consistency of data within all business plan documents.
- In exercising its judgement on production of this business plan the Board has taken into account the following main factors:
 - information, including supporting explanation and identification of potential exceptions, arising from management review of company performance
 - meetings and discussions with the external technical and financial assurance providers.

Compliance with our obligations

South West Water has a number of statutory obligations including those within the Water Industry Act, the South West Water Licence, Competition Act and Environment Agency permits.

We have worked with our key regulators and stakeholders including the Environment Agency (EA), Drinking Water Inspectorate (DWI), Natural England (NE) and the Consumer Council for Water (CCW) through our WaterFuture Customer Panel to develop a programme that meets our obligations and our plans have been checked and supported by our regulators (including confirmation that our plans are compliant with the Water Industry National Environment Programme (WINEP)).

Undertakings given by Pennon Group to the Competition and Markets Authority pursuant to section 33D of the Water Industry Act 1991, as amended by the Water Act 2014






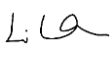



In line with undertakings given by Pennon Group plc to the Competition and Markets Authority prior to the merger of Bristol Water and South West Water licences, the Board confirms that it has complied with the provisions of those undertakings.

Board Assurance Statement

Recognising that this Business Plan submission is part of the PR24 process which will conclude following Ofwat’s review and determination in December 2023, the Board has been engaged at all stages of the development of the Plan for 2025-30 having endorsed a framework to agree the strategy and provide oversight of the process in its development. The framework established has had sufficient systems of internal control, governance, and assurance processes in place to deliver a quality and ambitious plan.

The Board has received reports from the Directors and made its own enquiries to ensure the plan::

- has considered the long-term objectives (Water Resources and Drainage Water Management Plan and statutory requirements) and is satisfied that the 5-year plan represents the right plan for right now – focusing on the areas of storm overflows, pollutions, water resources and resilience underpinned by customer and stakeholder feedback and support
- has challenged the outcomes and targets to ensure they are stretching but achievable given the proposed continuing improvements through our base plan and enhanced investment
- supports the alternative outcomes framework proposed which deviates in some cases from Ofwat’s detailed methodology but is consistent with the objectives for outcomes being anchored in customer feedback and delivers an appropriate risk and return balance
- has targeted an efficient cost base with steps taken to ensure deliverability
- has considered that customer engagement and research is of high quality and has been used to inform our business plan
- has appropriately considered affordability by:
 - not raising bills higher than necessary, and we are proposing to share financial benefits with customers on a timely basis through our WaterShare+ mechanism
 - having robust plan to support customers who have affordability issues.
- considers that the Company’s business plan is financeable on the basis of a notional capital structure and using scenarios, which include the Company’s actual capital structure, is resilient to 2030
- confirms that this plan is compliant with our WINEP investment obligations
- confirms it is compliant in all material aspects with the undertakings given by Pennon Group Plc to the Competition and Markets Authority prior to the merger of Bristol Water and South West Water licences.

Name	Gill Rider	Claire Ighodaro CBE	Iain Evans CBE	John Butterworth MBE	Dorothy Burwell	Loraine Woodhouse	Susan Davy	Paul Boote	John Halsall
Position	Chair	Independent Non-Executive Directors					Group CEO	Group CFO	COO
Signed									

Core assurance areas

Risk Assessment

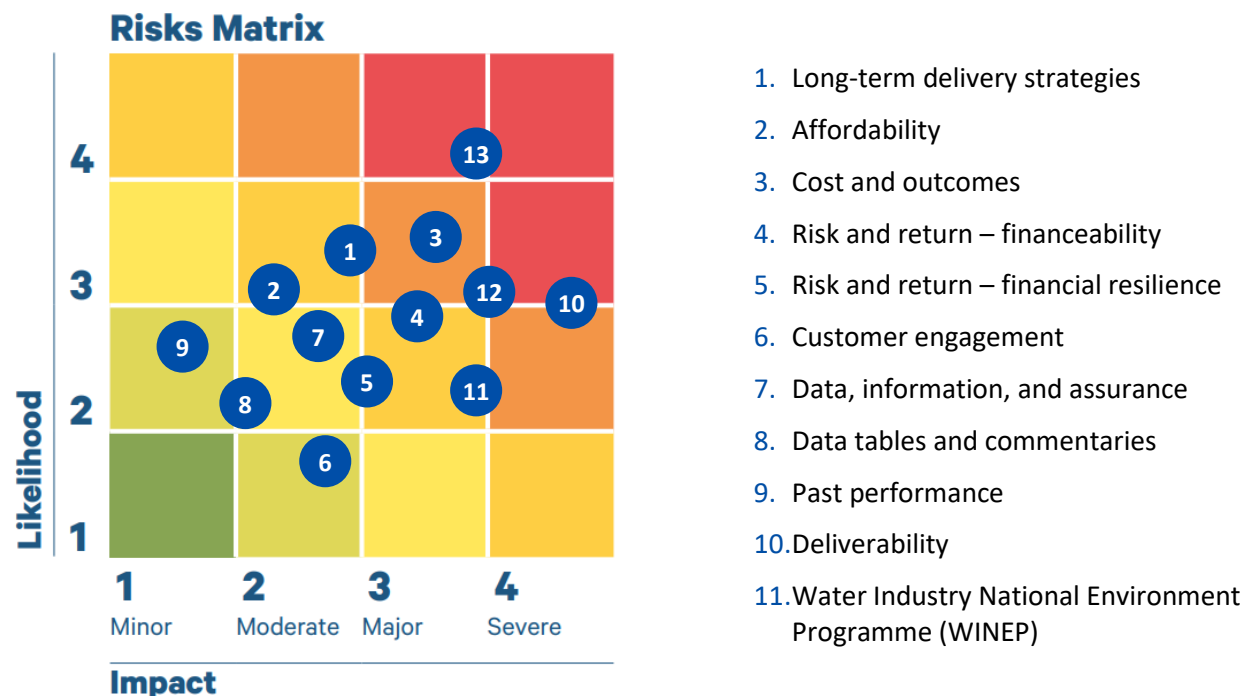
Core assurance area risk assessment

We have applied a risk-based approach for the PR24 submission, which has identified a number of core assurance areas where we are implementing specific assurance procedures. Within these areas we have further considered the components of the area which carry the greater risk to appropriately focus assurance activities.

This risk assessment has considered:

- the complexity of the area
- the scale/volume of the area
- the level of judgement
- our historical performance in this area (including relevant results of previous assurance)
- the impact of the area upon the business plan as a whole

This risk assessment identified the following risk categorisations (at the highest level of the assessment):



The volume of items being assessed as high risk has increased from similar risk assessments at PR19, and generally reflects the size and scale of the plan overall, and in particular the material changes that the plan will have to those areas. The areas assessed as moderate risk, while significant, are largely areas we have a positive history in and fundamentally have not changed as significantly as those areas identified as high risk.

Data table risk assessment

In each area above we have performed further risk assessments at a more granular level. In the case of data tables, we have agreed an assessment with KPMG based on key criteria including:

- the data tables feed through into other tables
- the complexity of the table
- the size of the table
- the table impact on the PR24 outcomes.

This risk assessment has guided the approach and scale of assurance performed for each table, which includes the extent of methodology reviews, data transposition review, agreement to previous submission, trends and discontinuities reviews and financial and operational data consistency.,

Long-term delivery strategies (LTDS)

The board has challenged and satisfied itself that the long-term delivery strategy:

- reflects a long-term vision and ambition that is shared by the board and company management;
- is high quality, and represents the best possible strategy to efficiently deliver
- its stated long-term objectives, given future uncertainties;
- will enable the company to meet its statutory and licence obligations, now and in the future
- is based on adaptive planning principles;
- has been informed by customer engagement; and
- has taken steps to secure long-term affordability and fairness between current and future customers.

The board has challenged and satisfied itself that the 2025-30 business plan implements the first five years of the long-term delivery strategy.

Further information is included throughout our 'Long-term delivery strategy' document



For more information see

**Long-term
delivery strategy**

South West Water's Integrated Assurance Framework Elements Utilised

1st Line	2nd Line	3rd Line
<ul style="list-style-type: none"> • PR24 Steering Group • Programme Office control • Board strategy days • Board challenge and direction of 'Our Strategic Direction to 2050' 	<ul style="list-style-type: none"> • Internal reviews and analysis of customer research • Detailed expert modelling of billing impacts and options (ICS) 	<ul style="list-style-type: none"> • WaterShare+ Advisory Panel review of long term WRMP, DWMP and DWI plans • Attendance at WaterShare+ Advisory Panel meetings from regulators • Jacobs third-party assurance of long-term delivery strategies

Executive review and development

The long-term strategies for PR24 have been developed through our strategic asset management approach and overseen by the Regulation and Strategy Director. The development of the Drainage and Wastewater Management Plan and the WINEP programme were also delivered in the same way – ensuring a consistent approach for PR24 with our long-term plans.

Similarly, other term submission, such as the recent Storm Overflow Reduction Plan submitted in June 2023 have been considered to ensure our activities for 2025-30 implements the long-term strategy.

Board scrutiny & challenge

The Board have provided extensive scrutiny and review of key long-term plans (including the Drainage and Wastewater Management Plan, Water Industry National Environment Programme, Water Resources Management Plan, the DWI programme) as well as the long term 'Our Strategic Direction to 2050.'

Assurance findings summary

	RAG
The strategy reflects a long-term vision and ambition that is shared by the Board and company management	●
The strategy is high quality, and represents the best possible strategy to efficiently deliver the Board's stated long-term objectives, given future uncertainties	●
The strategy is based on adaptive planning principles	●
The strategy has taken steps to secure long-term affordability and fairness between current and future customers	●
The strategy will enable to company to meet its statutory and licence obligations, now and in the future	●

Significant strategic publication/plan – Water Industry National Environment Programme (WINEP), Drainage and Wastewater Management Plan (DWMP) and Water Resources Management Plan (WRMP)

South West Water’s Drainage and Wastewater Management Plan (DWMP), which was published in in May 2023 and WINEP plan, which was submitted in February 2023 and Water Resources Management Plan (WRMP) which is being submitted alongside the PR24 Business Plan for further stakeholder consultation, form a core part of South West Water’s extensive investment plan for 2025-30 and beyond, in particular for example in the area of reducing storm overflows.

Assurance has been completed for all of these plans as they have developed and alongside each submission, the Board provided individual Board Assurance Statements for each plan.



For more information see
[Drainage and Wastewater Management Plan](#)



For more information see
[South West Water Water Resources Management Plan](#)



For more information see
[Bristol Water Water Resources Management Plan](#)

Quality assessment areas

We have summarised how we have met and exceeded the minimum expectations for Long-term Delivery Strategies and in particular, the long-term delivery strategy has been developed in line with our guidance and has taken account of any feedback in our ‘Long-term delivery strategy’ document.

Ambition assessment areas

We have summarised how we have met and exceeded the ambition test areas for both Long-term Delivery Strategies on in our ‘Long-term delivery strategy’ document, alongside further evidence to support each of those expectations.

Risks and issues identified

Long-term strategies will be impacted by a range of variables such as climate change and macro-economic factors which are reflected in our longer-term proposals. Whilst we have provided long-term scenarios these will inevitably be dynamic, and we will respond to these changes through our risk management and strategic asset management approaches.

Affordability

The board has challenged and satisfied itself that:

- the full implication of the 2025-30 business plan for customers was considered and that the plan achieves value for money; and
- the long-term delivery strategy protects customers' ability to pay their water bill over the long term and delivers fairness between what existing customers will pay and what is paid for by future customers.

Tariffs (both wholesale and household retail) have been developed to ensure that all elements are cost reflective and that the differential between tariffs in the original South West Water area and the Bournemouth Water area are maintained.

Affordability is considered further in our 'Engagement and Affordability' document as well as our 'Addressing Affordability and Delivering for Customers' spotlight.



For more information see
[Engagement and affordability](#)

South West Water's Integrated Assurance Framework Elements Utilised

1st Line	2nd Line	3rd Line
<ul style="list-style-type: none">• Executive ODI Group oversight• PR24 Steering Group• Programme Office control• Extensive review of progressive charging options	<ul style="list-style-type: none">• Internal reviews and analysis of customer research• Detailed expert modelling of billing impacts and options (ICS)	<ul style="list-style-type: none">• Oversight of customer engagement by independent CCG• KPMG third party assurance of financial data tables including tariff and charges related data tables• Sub group chair reports

Executive review and development

Our approach to customer affordability has been developed by our Customer Service and Digital Director, ensuring that our affordability packages as well as our proposals for new and progressive tariffs are supporting those who need it the most. The acceptability and affordability of our plan has been considered through extensive customer research – which has been collated and reviewed by third-party experts. Furthermore, the Group Chief Financial Officer proposed an approach which supports affordability through RCV adjustments and bill smoothing.

Board scrutiny of area

The Board has considered and approved the approach to profiling the financial output of our business plan to smooth bill profiles where possible to achieve a stable increase in bills to 2030. This has included the recognition of some PR19 adjustments in opening RCV to spread the cost to customers over a longer-period than would otherwise be the case.

In addition, the Board has considered and agreed the development of progressive tariffs to support affordability whilst also reflecting customer usage when demand is most challenging.

The Board has scrutinised both internal outputs and reports concerning affordability and the package to ensure that financial support is provided, when necessary, customers are empowered, and behavioural change is encouraged.

Assurance findings summary

	RAG
The full implication of the 2025-30 business plan for customers was considered and the plan achieves value for money	●
The long-term delivery strategy protects customers' ability to pay their water bill over the long term and delivers fairness between what existing customer will pay and what is paid for by future customers	●

Quality assessment areas

We have summarised how we have met and exceeded the minimum expectations for Long-term Delivery Strategies and in particular, the long-term delivery strategy has been developed in line with our guidance and has taken account of any feedback in our 'Long-term delivery strategy' document.

Ambition assessment areas

We have summarised how we have met and exceeded the ambition test areas for both Long-term Delivery Strategies in our 'Long-term delivery strategy' document, alongside further evidence to support each of those expectations.

Risks and issues identified

Customer engagement has identified that customers views on bill acceptability are impacted by the continuation of the £50 Government contribution. In addition, our proposal to smooth the profile of bill increases as well as applying a higher proportion of PR19 adjustments to RCV to support affordability are not fully aligned Ofwat's PR24 methodology.

Costs and outcomes

Through extensive customer and stakeholder engagement, particularly with our WaterShare+ Advisory Panel, we have developed outcomes and commitments which reflect customers' preferences and willingness to pay (WTP) whilst being consistent with relevant environmental and quality regulators obligations and statutory requirements.

We have received independent supporting statements from specific regulators and endorsement from the WaterShare+ Customer Advisory Panel.

We have considered the measures of success and performance commitments to meet these outcomes and confirmed that these can be recorded and measured consistently, and we have established this process within our existing governance and assurance process to ensure that data is robust.

The cost estimates, projections and data proposed within the plan have been based on both historical trend data and future cost models, as well as estimates on future price rises and impacts.

We have engaged independent advisors to support the development of our plan and provide expert advice in certain areas. We have worked independently of other companies and competitors.

All cost estimates, projections and submitted data tables have been subject to independent external assurance commensurate with the risk relating to the data.

Throughout the 2020-25 period South West Water is reporting its performance both to its WaterShare+ Customer Advisory Panel and to through its Annual Performance Report.

That the board has challenged and satisfied itself that:

- the performance commitment levels in the plan are stretching but achievable and reflect performance improvements expected from both base and enhancement expenditure;
- the expenditure forecasts included in the company's business plan are robust and efficient;
- the needs for enhancement investment are not influenced by non-compliance or non-delivery of programmes of work (both base and enhancement) that customers have already funded;
- the options proposed within the business plan are the best option for customers and a proper appraisal of options has taken place;

- PR24 plans and the expenditure proposals within them are deliverable, and that South West Water has put in place measures to ensure that they can be delivered. This includes setting out the steps the Board has taken to satisfy itself that supply chain risk is manageable and delivery plans account for:
- the ability of the company and its supply chain to expand its capacity and capability at the rate required to deliver the increased investment;
- the impact of similar levels of growth across the sector and any overall sector and supply chain capacity constraints; and
- key supply chain risks and capacity constraints, such as the availability of specialist resource or components, e.g. river quality monitors, smart meters, or SuDS designers.
- the plan includes price control deliverables covering the benefits of material enhancement expenditure (not covered by performance commitments);
- that the expenditure proposals are affordable by customers and do not raise bills higher than necessary; and
- the expenditure proposals reflect customer views, and where appropriate are supported by customers.

South West Water’s Integrated Assurance Framework Elements Utilised

1 st Line	2 nd Line	3 rd Line
<ul style="list-style-type: none"> • PR24 Steering Group • Programme Office control • Internal review and sign-off of all data tables (including cost and outcome related tables) • Customer priorities for outcomes tested at each stage of programme development • Extensive assurance of the cost modelling/ methodology 	<ul style="list-style-type: none"> • Internal reviews and analysis of customer research to identify priorities • Review of outcomes against willingness to pay • Internal independent verification – Cost Review Working Group 	<ul style="list-style-type: none"> • Independent customer panel review • Technical auditor review of outcomes and performance forecasts/ deliverability • Independent cost efficiency analysis provided by Oxera focusing on what base buys in terms of service quality • Assurance over submitted cost assessment data by external financial assurers

Executive review and development

Cost and cost efficiency have been overseen by the Group Chief Financial Officer utilising extensive internal and external analysis throughout the development of the plan. Outcomes have been overseen by the Compliance and ESG Director.

Both of these areas have seen extensive engagement across the Executive, as they each involve analysis and information from areas throughout the business from including from the Regulatory and Asset Management teams. The Executive have developed teams throughout the business working together to ensure consistency and a joined-up approach.

Board scrutiny and challenge

The Board has scrutinised the delivery of existing outcomes to 2025 and this scrutiny has extended to the development of outcomes for 2025-30.

Specifically the Board challenged the process to ensure outcome targets are stretching and have been set at industry average/leading levels or reflecting a continued improvement across our regions. The Board supported the objectives of the outcome proposals being based on our customer research and priorities and reflecting an appropriate risk return balance – although deviating from Ofwat’s detailed methodology in some cases.

The WaterShare+ Customer Advisory Panel Chair and Vice-Chair attended South West Water’s Board meetings to provide updates on progress, in particular with regards to outcomes and the priorities of customers.

Assurance findings summary

The South West Water Board has obtained satisfactory assurance that the business plan will deliver the outcomes and performance commitments laid out within the plan and that they are sufficiently stretching, reflecting customer and other stakeholder priorities.

It has also obtained satisfactory assurance that the proposed approach to reporting upon its commitments, ODIs and projects is robust.

	RAG
The outcome framework proposed fully follows Ofwat's PR24 methodology	●
The performance commitment levels in the plan are stretching but achievable and reflect performance improvements expected from both base and enhancement expenditure	●
The expenditure forecasts included in the business plan are robust and efficient	●
The needs for enhancement investment are not influenced by non-compliance or non-delivery of programmes of work (both base and enhancement) that customers have already funded	●
The options proposed within the business plan are the best option for customers and a proper appraisal of options has taken place	●
<p>PR24 plans and the expenditure proposals within them are deliverable, and that South West Water has put in place measures to ensure that they can be delivered.</p> <p>The Board has set out the steps the Board has taken to satisfy itself that supply chain risk is manageable and delivery plans account for:</p> <ul style="list-style-type: none"> ● the ability of South West Water and its supply chain to expand its capacity and capability at the rate required to deliver the increased investment; ● the impact of similar levels of growth across the sector and any overall sector and supply chain capacity constraints; and ● key supply chain risks and capacity constraints, such as the availability of specialist resource or components, e.g. river quality monitors, smart meters, or SuDS designers 	●
The plan includes price control deliverables covering the benefits of material enhancement expenditure (not covered by performance commitments)	●
The expenditure proposals are affordable by customers and do not raise bills higher than necessary	●
The expenditure proposals reflect customer views, and where appropriate are supported by customers	●

Quality assessment areas

Securing cost efficiency and developing stretching outcomes, we have clearly gone beyond Ofwat’s Quality Assessment Tests for costs.

We have summarised how we have met and exceeded the minimum expectations for costs in our ‘Securing cost efficiency’ document, alongside further evidence to support each of those expectations.



For more information see
Costs and efficiency

We have summarised how we have met and exceeded the minimum expectations for outcomes in our ‘Outcomes’ document, alongside further evidence to support each of those expectations.



For more information see
Outcomes

Ambition assessment areas

We have summarised how we have met and exceeded the ambition test areas for Stretch and efficiency in our ‘Securing Cost Efficiency’ document, alongside further evidence to support each of those expectations.



For more information see
Outcomes

Risks and issues identified

Costs

The size and scale of the capital programme and the dependence on forecasts poses inherent risk that cost efficiency may be challenged by unforeseen circumstances and factors outside of our control – for example higher than inflation construction costs driven by the macro-economic environment. Our historical performance in managing cost pressures and driving innovation are areas of focus to mitigate this risk.

Outcomes

Whilst our proposals for outcomes and incentives in anchored in our customer research and the framework supports the overall objectives set out in the methodology, we have deviated from the detailed methodology on some areas. However, we have accepted the common target approach as well as demonstrated our commitment to stretching targets by recognising ‘what-base-buys’ and the benefits of enhancement expenditure.

In the current regulatory period there are areas where we have not delivered on our stretching performance targets, and we have actions in place to target improvements in these areas.

Risk and return

The plan has been designed to be ambitious and challenging in achieving the priority outcomes. Detailed plans have been established to achieve each of the commitments and these have been subject to challenge and Board and Executive level in addition to audit by the technical auditor. The technical auditors have identified key risk areas which have been subject to additional Board scrutiny.

Financeability

The Board views that the Company’s business plan is financeable on the basis of the notional capital structure and that the plan protects customers’ interests in both the short and long term.

The Board has taken account of all components of the business plan, including Ofwat’s view on the allowed return on capital for PR24. The above statement is consistent with maintaining target credit ratings at least two notches above the minimum of the investment grade.

In the Risk and Return document we have set out clearly the steps taken to provide assurance, including the consideration of the financial ratios.

Financial Resilience

A ‘Legislative, Resilience and Environment Sub Group’ was established including representation from South West Water and key partner agencies (such as the Environment Agency and Natural England) to consider and scrutinise plans to in respect of both legislative and regulatory compliance as well as in respect of long-term resilience and stretching performance commitment levels.

South West Water’s plan reflects a number of measures designed to mitigate the most significant risks to long-term resilience in respect of all aspects of the Company’s business. These measures reflect options assessed through the Investment Manager process to be the best value for money over the long term and follow customer engagement throughout the process, including with the WaterShare+ Customer Advisory Panel.

The company (under the actual financing structure) is financially resilient over the 2025-30 period and beyond under the proposed business plan. The steps taken to enable the Board to make this statement and the factors it has taken account of, and the suite of financial metrics used to ensure the Company is financially resilient are included in our ‘Risk and Return’ document.



For more information see [Risk and return](#)

South West Water’s Integrated Assurance Framework Elements Utilised

1st Line	2nd Line	3rd Line
<ul style="list-style-type: none"> PR24 Steering Group Programme Office control Internal review and sign-off of all data tables (including cost and outcome related tables) Established long-term internal financial modelling, including risk impact quantification and scenario planning 	<ul style="list-style-type: none"> Internal review of scenarios considered in respect of financeability 	<ul style="list-style-type: none"> Assurance over financeability of plan including sensitivity analysis by external financial assurance specialists (KPMG)

Executive review and development

Risk and Return aspects of the plan, including both financeability and financial resilience have utilised our financial ongoing modelling and specific modelling for the PR24 process and has been overseen by the Chief Financial Officer. The process undertaken has built on our robust approach to annual assessments of financial viability, which are also overseen by the Chief Financial Officer.

This has ensured our ongoing financial planning, including long term strategic financial planning is also consistent with the development of our PR24 plan.

Board scrutiny and challenge

The Board has reviewed and scrutinised South West Water's plan and assumptions underlying the assessment that it is financeable and has considered the financeability in a range of scenarios as well as reverse engineering of scenarios which may challenge the financeability of the plan.

Assurance findings summary

	RAG
<p>The business plan is financeable on the basis of the notional capital structure. This assurance should take account of all components of the business plan, including our early view on the allowed return on capital for PR24 that set out by Ofwat, and consistent with maintaining target credit ratings at least two notches above the minimum of the investment grade.</p> <p>We have set out clearly the steps taken to provide assurance, including the consideration of the financial ratios (see Risk and Return document).</p>	●
<p>The Board considers that the actual company is financially resilient over the 2025-2030 period and beyond under its business plan.</p> <p>We have set out the steps taken to enable us to make that statement, the factors taken into account and the suite of financial metrics used to ensure the company is financially resilient (see Risk and Return document).</p>	●
<p>The actual company is financially resilient over the period of the price review and beyond under its business plan.</p>	●
<p>The Board has set out the steps it has taken to enable it to make the above statement, the factors it has taken account of, and the suite of financial metrics used to ensure the company is financially resilient.</p>	●
<p>The plan demonstrates the basis on which the assessment has been carried out, including how the base case and downside scenarios have been established and addressed/</p>	●

Quality assessment areas

In respect of risk and return, we have clearly gone beyond Ofwat's Quality Assessment Tests for costs.

We have summarised how we have met and exceeded the minimum expectations for both financeability and financial resilience in our 'Risk and return' document, alongside further evidence to support each of those expectations.

Risks and issues identified

In recent years we have seen the macro-economic environment impact on the availability of debt and higher cost of debt, which with a large investment programme reflects some risk for delivery across the sector. Our diverse portfolio of debt instruments has resulted in South West Water having one of the lowest effective interest rates in the sector and we have continued to achieve financing through our Sustainable Financing Framework.

Customer engagement

We are responsible for providing our customers with good quality water and wastewater services and high standards of customer service at a good price.

We have kept the needs of our customers and stakeholders at the core of our business planning process.

Our research and engagement plan aligns with guidance from Ofwat and the Consumer Council for Water (CCW). We have worked closely with our independently chaired WaterShare+ Customer Advisory Panel to make sure the diverse priorities and needs of customers and stakeholders have been taken into account.

We have designed our plan to be accessible to customers and stakeholders while ensuring that our approach is consistent with the methodology for setting price controls and provides sufficient support and commentary to Ofwat for our plans.

Reflecting these needs we have produced a clear and concise business plan document which gives an overview of our plan, supplemented by a suite of more detailed plans and supporting data.

In the opinion of the Board, South West Water's customer engagement and research meets the standards for high-quality research and any other relevant statements of best practice and has been used to inform its business plan and long-term delivery strategy.

South West Water's Integrated Assurance Framework Elements Utilised

1st Line	2nd Line	3rd Line
<ul style="list-style-type: none"> Executive ODI Group oversight Expert market research and economic regulation partners – appropriate to each customer engagement exercise PR24 Steering Group Programme Office control Triangulation of extensive sets of data points 	<ul style="list-style-type: none"> Internal reviews and analysis of customer research Peer reviews throughout the customer engagement process for example, from Professor Ken Willis Robust sampling strategies agreed with the CCG (ensuring proper representation of customer base) 	<ul style="list-style-type: none"> Oversight of customer engagement by independent CCG, including from scrutiny of the planned engagement programme through to presentation and application of results Frontier Economics synthesis report and review of engagement Jacobs technical audit of business cases/investment plans including explicit scope to consider linkage to customer engagement WaterShare+ Advisory Panel reports and attendance at Board Committee meetings

Executive review and development

Customer engagement activities, which were led by the Customer Service and Digital Director, who ensured a thorough programme of customer engagement was undertaken, also overseeing peer reviews of the work by Professor Ken Willis and an external review of the customer engagement performed by Frontier Economics.

A consistent approach was taken across all areas of our regions.

Board scrutiny and challenge

Our overall customer engagement strategy is closely overseen by our Board, and this is no different to the engagement undertaken specifically for our PR24 business plan. Initially our Board reviewed, challenged, and ultimately approved the customer engagement strategy and PR24 plan at the PR24 Sub Committee at the start of the PR24 process.

Our Board have been involved throughout all of the engagement with customers to hear first-hand customer views, including being present at engagement events. Since the submission of our PR19 business plan the Board has been extensively involved in engaging with our independent South West Water WaterShare+ Advisory Panel (responsible for overseeing WaterShare+ governance and operation). In the Bristol area, following extensive engagement with its Customer Panel, this now operates within the WaterShare+ framework.

The Board has considered both internal outputs and reports concerning customer engagement as well as reports and challenges from the WaterShare+ Advisory Panel in both the areas which we operate. It has also considered the technical auditors review of enhancement cases and other areas for linkages to customer engagement activities and outputs to ensure that customer priorities identified are appropriately addressed.

The Board ensured that the WaterShare+ Customer Advisory Panel had access to all data and analysis it needed and ensured the Board and members of the Executive met with panel on a regular basis, so as to discuss the process of engagement and ensure all challenges were heard and addressed by Board.

Assurance findings summary

	RAG
The company’s customer engagement and research meets the standards for high-quality research and other relevant standards of best practice and has been used to inform its business plan and long-term delivery strategy	●

Quality assessment areas

Delivering high quality engagement and exceeding Ofwat’s expectations, we have clearly gone beyond Ofwat’s Quality Assessment Tests for customer engagement, affordability, and acceptability.

We have summarised how we have met and exceeded the minimum expectations for Customer Engagement, affordability, and acceptability in our ‘Engagement and Affordability’ document, alongside further evidence to support each of those expectations.

Ambition assessment areas

We have summarised how we have met and exceeded the ambition test areas for both Engagement and Enhancing Affordability in our ‘Engagement and Affordability’ document, alongside further evidence to support each of those expectations.

Risks and issues identified

We have completed extensive customer engagement throughout the development of our Business Plan as well as our ‘business as usual’ approach of talking regularly to our customers. There are no notable risks or issues identified with regards this area.

PR24 final submission elements – Data, information, and assurance

This area for assurance relates to the data tables which are required to be published and submitted to Ofwat upon submission of our business plan for 2025-30, as well as other data and information contained within the plan and the assurance programme thereof.

The Board has considered the gross risk in respect of our financial modelling prior to determining appropriate levels of assurance to be performed in respect of the area.

South West Water’s Integrated Assurance Framework Elements Utilised

1st Line	2nd Line	3rd Line
<ul style="list-style-type: none"> • Rigorous project management approach • Regular reporting to Executive Steering Group • Certification by business units of all relevant submissions and data tables/submission documents 	<ul style="list-style-type: none"> • Extensive Board scrutiny • Internal assurance (directorate and second line) 	<ul style="list-style-type: none"> • Assurance and challenge (risk based level of detail) upon technical and financial data • Audit and challenge of technical and financial data • Other specific external assurance commissioned

Three-line assurance approach

In line with the process outlined in that document, data tables have been subject to full first line sign-off process.

For the PR24 process, on a risk based approach, all significant data tables submitted as part of our final submission, as well as significant submissions throughout the process are subject to this independent third line assurance.

The external technical and financial audits cover data tables, including historic data, 2023/24 and 2024/25 forecast data, as well as business planning data for AMP8 and beyond. Subject to risk based considerations across the data tables and other submissions detailed testing and challenge is performed including:

- A review of documented methodology and commentary for compliance with internal and external reporting requirements as well as definitions within the PR24 final methodology and other relevant information (such as Regulatory Accounting Guidelines 4 (RAG4))
- The documentation of assumptions, and whether they are reasonable.
- The production of data in accordance with the documented methodology
- Consistency of data with previously reported information
- Preparation of the data in accordance with relevant Ofwat guidance, including amendments to guidance and queries
- A review of any proposed exceptions for ODIs as well as processes for challenging any judgemental classifications
- The format of data for publication
- South West Water internal review and sign-off procedures.

KPMG, Jacobs and Turner & Townsend (our core assurance providers), have reviewed our data tables and accompanying documentation and provided independent third-line assurance.

Executive review and development

Central processes for the collation of data and completion of the data tables have been overseen by the Chief Financial Officer, expanding on our processes for other similar data and information submissions, such as the Annual Performance Report. This has leveraged on areas of commonality between data sets. The establishment and maintenance of data owners started early in the process to ensure the correct areas of the business and expertise was deployed.

In respect of assurance, the Compliance and ESG Director has led the development of our assurance plan for PR24, in common with our Risks, Strengths and Weaknesses and Assurance Plan, as well as in the oversight and delivery of the assurance programme.

Board scrutiny and challenge

South West Water's assurance framework is overseen by our Board, who approved the 2022/23 and 2023/24 assurance plans, which have included assurance in respect of our PR24 programme.

Our Board have been involved throughout all of the PR24 programme as demonstrated in this document (see PR24 Board Committee Activities).

The Board has considered both internal outputs and reports concerning customer engagement as well as reports and challenges from the WaterShare+ Advisory Panel in both the areas which we operate. It has also considered the technical auditors review of enhancement cases and other areas for linkages to customer engagement activities and outputs to ensure that customer priorities identified are appropriately addressed.

The Board ensured that the WaterShare+ Customer Advisory Panel had access to all data and analysis it needed and ensured the Board and members of the Executive met with panel on a regular basis, so as to discuss the process of engagement and ensure all challenges were heard and addressed by Board.

Assurance findings summary

	RAG
The Board has satisfied itself that the systems, approach to risk management, and internal controls and processes in place to develop the data and information on which it based its decisions was appropriate and effective	●
The Board is confident that the overall strategy for data assurance and governance processes delivers high-quality data across all aspects of the plan and long-term delivery strategy	●
The Board has satisfied itself that its submission will delivery operational, financial, and corporate resilience over the control period and long term.	●
The Board has been involved with the testing of assumptions and is fully aware of the impact that alternative assumptions may have. It has used its range of skills and experiences to test the impact of the assumptions on the wider stakeholder base	●





Quality assessment areas

We have summarised our view of meeting and exceeding Ofwat’s quality assessment criteria in respect of data, information and assurance in the following page

Risks and issues identified

Although absolute assurance can never be provided, the process in place and assurance work performed has sufficiently mitigated the risks in relation to the Board Assurance Statement made and we have transparently identified how we have applied the quality and ambition criteria to each area of our plan.

Ofwat's Quality and Ambition Assessment

Assessment	Test areas	Expectations	Summary of how we meet these expectations	Document Reference
QA Quality	Data information and Assurance	The plan is accessible and follows a clear structure, meeting our requirements as specified in our guidance, such as page and document limits where specified.	 We have set out a clear document plan and structure. Each document clearly sets out the purpose of the document and where this sits in the suite of all the documents submitted.	Document Map: Page 4
QA Quality	Data information and Assurance	The company's PR24 business plan is fully consistent with the long-term delivery strategy and the company presents a single adaptive strategy, rather than multiple alternate plans.	 We developed adaptive pathways based on four plausible futures Strategies developed for each of our future ambitions were then combined into one overall strategy. Our monitoring plan define the set of values that we need to track to anticipate when a trigger point has been reached to enable us to adapt to a different strategy in good time.	Level 3 Document: Long-term Delivery Strategies
QA Quality	Data information and Assurance	The company provides sufficient and convincing evidence to demonstrate how its track record of performance, or lessons learnt from poor performance, support the credible delivery of the proposals in its plan	 We have published a full document considering our past delivery and track record of performance. In addition, across the documents we continually refer to current performance in the context of future plans	Level 3 Document: Track Record of Delivery
QA Quality	Data information and Assurance	The company's full Board provides an assurance statement that meets our Board assurance requirements as specified in our guidance.	 Our Board Assurance Statement is fully aligned to the Board assurance requirements specified in the final PR24 methodology. This is supported by back-to-back sign-off from the Executive Steering Group and external assurance by Jacobs	Board Assurance Analysis: Within this document
QA Quality	Data information and Assurance	The company provides the data and information as requested in our methodology and business plan tables. This data and information is consistent, accurate and assured using effective internal systems, controls, and processes.	 We have provided all the data and information requested in the methodology and business plan tables. We have performed extensive assurance processes to ensure the data and information is consistent, accurate and assured. Our internal systems, controls and processes are outlined in this document. We have considered assurance for each core area of the plan in line with our Assurance Framework.	Assurance Approach: Within this document

Assessment	Test areas	Expectations	Summary of how we meet these expectations	Document Reference
			<p>This has included external assurance over each key area of the plan as well as in respect of data tables. With the exception of a small number of low-risk data tables (e.g. where we have a nil return, or data is simply an automated flow, summarising other data tables), external assurance procedures have been performed for every data table by one of our core external assurance providers.</p>	

Third Party Credentials

KPMG

KPMG is a leading provider of professional services, including audit and advisory solutions integrating innovative approaches and deep expertise to deliver real results. We have extensive water industry experience. We have worked with South West Water over a number of years, acting as financial advisor at previous periodic reviews as well as reviewing retail margins, default tariffs and providing retail modelling advice. KPMG also provided financial assurance services to South West Water at PR19.

We have provided expertise in a range of relevant areas including analysis in respect of options for direct procurement and supporting the development of South West Water's approach to trading in the Water Resources market, including reviewing South West Water's market and procurement code. This follows extensive involvement with multiple companies within the industry providing advice ahead of the opening of the non-household retail market.

Our team includes members who have previously been involved in the development of market frameworks in the industry as well as policy for PR19.

We have ensured appropriate ethical walls are in place where other KPMG teams have provided advisory work to South West Water.

Jacobs

Jacobs U.K. Limited has been appointed as one of South West Water's core technical assurance partner for Annual Reporting as well as the PR24 process. Jacobs, and its predecessor companies has global experience in strategic business planning and regulation for water companies. Jacobs and through its predecessor companies CH2M and Halcrow Management Sciences Limited has been a leading provider of technical assurance services to the UK water industry since privatisation in 1989.

Jacobs's independence enables them to provide a candid and confidential service to operators, regulators, governments, and banks. Their personnel all have regulatory, water and wastewater engineering, contractual and economics backgrounds and have specialist expertise in all aspects of utility regulation, diagnosis, and performance assessment. With this capability, Jacobs offers a detailed appreciation of the major themes related to effective regulation with a particular emphasis on technical assurance of information through methodology and process review.

Despite changes in the regulatory environment in 2012 to a lighter-touch, risk-based, self-assurance reporting regime, South West Water, along with most companies, opted to secure the services of experienced independent technical advisors to provide assurance to its senior management, Board of Directors, and parent company. This provides additional comfort of the company's continuing stewardship of these essential services, ensures customer's preferences are well considered, secures a more predictable outcome to the business planning process, helps retain suitable credit ratings and access to capital, and improve shareholder value.

Throughout the PR24 process, Jacobs have been working in partnership with South West Water to help ensure that its business plan submission receives suitable levels of independent assurance such that the senior and executive management, Board of Directors and in turn, the customer challenge groups, Ofwat and other stakeholders can be confident about the foundation of the information presented. The Jacobs team is led by Graham Hindley who is a Chartered Civil Engineer of over 25 years' experience.

Turner & Townsend

Turner & Townsend (T&T) has been appointed as one of South West Water's core technical assurance partners for Annual Reporting (focusing on asset and other technical data) as well as the PR24 process.

T&T has extensive experience in the utilities industries including with UK water operators. It acts as a direct assurance partner for two other large, regulated water companies for example, and carries out ad-hoc regulatory advice and work for a number of others. More widely, it also provides investment planning and delivery services to several UK regional water companies; works with energy sector companies across the UK and Ireland; and help UK Government entities such as the MoD and HS2 on programme set up and delivery.

Their regulatory advice and assurance function is led by Asef Ahmed and Andrew Day, who have 40 years plus experience in the water and wider utilities sector – working at and with regulators and regulated companies. This experience is mirrored by their core assurance team, all of whom have significant experience working with and for regulated companies, and some of whom have spent time embedded with sector regulators.

This gives T&T both a deep structural knowledge of the water industry and its regulation; and the ability to draw on wider experience of working with private and public sector clients across multiple sectors.

Annexes

- A. Board Statement of assurance proof points and evidence
- B. Undertakings given by Pennon Group plc to the Competition and Markets Authority pursuant to section 33D of the Water Industry Act 1991, as amended by the Water Act 2014
- C. Ofwat's Licence Condition Requirements

ANNEX A

Board Statement of Assurance Proof Points and Evidence

The following details the statements that the Board is making in its Board Assurance Statement as well as the proof points and sources of assurance/evidence supporting these statements.

General/data, information, and assurance		
Statement	Board Proof Points	Source of assurance/evidence
The Board has satisfied itself that the systems, approach to risk management, and internal controls and processes in place to develop the data and information on which it based its decisions was appropriate and effective	Systems and approach to risk management, and internal controls aligned to the focus South West Water places on all such key submissions	Company's Assurance Plan
	Board has considered reports in respect of the most significant components of the plan (including WINEP, DWMP and WRMP)	External third party and Pennon Group Internal Audit reports reviewed by the Board
	Risks, potential mitigations, and alternative options formed part of our ongoing monitoring throughout the development of the plan. They are regularly reviewed throughout the governance structure	PR24 Board Committee Activity, Executive PR24 Steering Group Activity
	Assurance processes designed to verify alignment of PR24 plan to key subcomponents (such as WINEP, DWMP and WRMP)	Internal documented process External assurance reports
The Board is confident that the overall strategy for data assurance and governance processes delivers high-quality data across all aspects of the plan and long-term delivery strategy	PR24 assurance plan in line with Company's Integrated Assurance Framework	See summary in this document, which is aligned with the Company's Assurance Plan
	Risk based review of data tables performed by external assurance provider	KPMG review of data table risk, which has influenced assurance programme
	Internal data owner, Senior Manager and Director sign-off of key areas of the plan and all data tables	Assigned accountabilities in line with plan
		Formal internal sign-off procedures
	2 nd line data checks designed to consider consistency and completeness of all data tables	Completion of 2 nd line reviews and implementation of feedback for all data tables
	Data assured in line with risk-based framework, with the overwhelming majority of final data tables assured by external third-party providers	Third-party assurance reports provided (and see summary of key area assurance in this document)
Long-term delivery strategy decision points embedded within existing governance process	Long-term delivery strategy governance plan	
The Board has satisfied itself that its submission will delivery operational, financial, and corporate resilience over the control period and long term.	Alignment of plan with existing enterprise risk management process	Financial risk scenarios incorporate South West Water's risk reporting position. PR24 also embedded within existing structures (including the Risks, Strengths and Weaknesses/Assurance Plan process)
	Long-term viability statement	Assured long-term viability statement published in the Annual Report and Financial Statements as well as Annual Performance Report

General/data, information, and assurance

	Continued compliance with Ofwat’s Board leadership, governance, and compliance principles (as well as the UK Corporate Governance Code, to the extent possible)	South West Water Annual Performance Report
	Systems in place to identify risk for enhancement cases and manage resilience to develop proposals which deliver operational and corporate resilience	Jacobs audit of selected enhancement cases to confirm this statement
	Further financial modelling and scenario testing to confirm long-term financial viability in light of the increased investment plan	KPMG audit procedures
The Board has been involved with the testing of assumptions and is fully aware of the impact that alternative assumptions may have. It has used its range of skills and experiences to test the impact of the assumptions on the wider stakeholder base	Board involvement and scrutiny of the business plan throughout its development	South West Water PR24 Board Committee Activity

Long-term delivery strategies

Statement	Board Proof Points	Source of assurance/evidence
The Board has challenged and satisfied itself that the long-term delivery strategy reflects a long-term vision and ambition that is shared by the board and company management	The long-term delivery strategy process has been embedded within the Company’s existing and ongoing governance process	Long-term delivery strategy document
	External technical review of South West Water’s long-term vision as part of external assurance of our long-term delivery strategy	Jacobs independent assurance report
The Board has challenged and satisfied itself that the long-term delivery strategy is high quality, and represents the best possible strategy to efficiently deliver its stated long-term objectives, given future uncertainties	External technical assurance of the development of the strategy	Jacobs independent assurance report
The Board has challenged and satisfied itself that the long-term delivery strategy will enable the company to meet its statutory and licence obligations, now and in the future	Review of licence obligation compliance in the light of our PR24 plan	Internal Group Legal review
The Board has challenged and satisfied itself that the long-term delivery strategy is based on adaptive planning principles	Potential decision points embedded into existing governance framework	Long-term delivery strategy document
	External technical assurance of long-term delivery strategies considered adaptive planning scenarios	Jacobs independent assurance report
The Board has challenged and satisfied itself that the long-term delivery strategy has been informed by customer engagement	‘Line of sight’ to customer engagement confirmed as part of external technical assurer’s audit of enhancement cases	Jacobs independent assurance report
	Progressive charging research and proposals reflected achieving fairness between current and future customers	PR24 Board Committee Activity and Financial audit activity

General/data, information, and assurance

The Board has challenged and satisfied itself that the long-term delivery strategy has taken steps to secure long-term affordability and fairness between current and future customers	External financial audit consideration of fairness between current and future customers in respect of long-term affordability	KPMG independent assurance report
The Board has challenged and satisfied itself that the 2025-30 business plan implements the first five years of the long-term delivery strategy.	Board oversight of outcomes and LTDS activities External technical assurance of long-term delivery strategy as well as related data tables	PR24 Board Committee Activity and Financial audit activity Jacobs independent assurance report
The Board has provided evidence of where it has challenged company management and an explanation of the process it has used to arrive at the view that its strategy is the best it can be.	Board oversight of outcomes and LTDS activities	PR24 Board Committee Activity and Financial audit activity

Affordability		
Statement	Board Proof Points	Source of assurance/evidence
The Board has challenged and satisfied itself that the full implication of the 2025-30 business plan for customers was considered and that the plan achieves value for money	Customer opinion on affordability has been researched and this has been reviewed by the Board and the WaterShare+ Customer Advisory Panel	Affordability document
	Jacobs assurance in respect of DWMP and WRMP considered cost/benefit considerations	Jacobs independent assurance report
	External financial assurance covering unit costing/cost models used to build up plan	KPMG assurance report
The Board has challenged and satisfied itself that the long-term delivery strategy protects customers' ability to pay their water bill over the long term and delivers fairness between what existing customers will pay and what is paid for by future customers	Progressive charging research and proposals reflected achieving fairness between current and future customers	PR24 Board Committee Activity
	Technical assurance of long-term delivery strategies considered the steps taken to ensure the strategies protect customers' ability to pay their water bill, now and for future years	Jacobs independent assurance report
	External financial assurance of relevant data tables	KPMG assurance report
Cost and outcomes		
Statement	Board Proof Points	Source of assurance/evidence
The board has challenged and satisfied itself that the performance commitment levels in the plan are stretching but achievable and reflect performance improvements expected from both base and enhancement expenditure	PR24 Board Committee oversight of outcomes	PR24 Board Committee Activity
	External technical assurance of outcomes and performance commitments/incentives considered South West Water's approach to setting stretching targets	Jacobs independent assurance report
The board has challenged and satisfied itself that the expenditure forecasts included in the company's business plan are robust and efficient	Established cost modelling process undertaken	Confirmed through KPMG assurance (see below)
	External financial assurance of cost modelling process and its application for a sample of components of the plan (including WRMP and DWMP)	KPMG assurance report
The board has challenged and satisfied itself that the needs for enhancement investment are not influenced by non-compliance or non-delivery of programmes of work (both base and enhancement) that customers have already funded	External technical assurance of enhancement cases considered current performance and within the sample selected did not identify cases due to non-delivery of already funded schemes	Jacobs independent assurance report
The board has challenged and satisfied itself that the options proposed within the business plan are the best option for customers and a proper appraisal of options has taken place	WaterShare+ Advisory Panel review of outcomes, with views reviewed by the PR24 Steering Group	Customer Engagement document
	External technical assurance of enhancement cases covered driver, solution, benefits, costs and optioneering	Jacobs independent assurance report
	External deliverability endorsements	Independent endorsements received from multiple organisations

The board has challenged and satisfied itself that PR24 plans and the expenditure proposals within them are deliverable, and that South West Water has put in place measures to ensure that they can be delivered. This includes setting out the steps the Board has taken to satisfy itself that supply chain risk is manageable and delivery plans account for:

- the ability of the company and its supply chain to expand its capacity and capability at the rate required to deliver the increased investment;
- the impact of similar levels of growth across the sector and any overall sector and supply chain capacity constraints; and
- key supply chain risks and capacity constraints, such as the availability of specialist resource or components, e.g. river quality monitors, smart meters, or SuDS designers.

Deliverability risks were discussed as part of the enhancement case, WINEP and DWMP technical assurance packages

Jacobs independent assurance report

The board has challenged and satisfied itself that the plan includes price control deliverables covering the benefits of material enhancement expenditure (not covered by performance commitments)

External technical assurance of enhancement cases considered necessity of price control deliverables and reasonability of any put in place

Jacobs independent assurance report

The board has challenged and satisfied itself that the expenditure proposals are affordable by customers and do not raise bills higher than necessary

External technical assurance considered the steps taken to balance affordability in the context of long-term delivery strategies.

Jacobs independent assurance report

The board has challenged and satisfied itself that the expenditure proposals reflect customer views, and where appropriate are supported by customers

External technical assurance confirmation of 'line of sight' of customer preferences in enhancement cases, DWMP and WINEP to ensure they are informed by customer insights

Jacobs independent assurance report

Risk and return – financeability		
Statement	Board Proof Points	Source of assurance/evidence
The board provides assurance that the business plan is financeable on the basis of the notional capital structure. This assurance takes account of all components of the business plan, including Ofwat’s early view on the allowed return on capital for PR24 that were set out in Chapter 7 of the methodology, and consistent with maintaining target credit ratings at least two notches above the minimum of the investment grade.	External financial assurance of the Company’s financial model and data tables relevant to financeability	KPMG assurance report
The Board has set out clearly the steps taken to provide assurance, including the consideration of the financial ratios.	Demonstration of steps taken including financial ratios	Risk and Return document
	External financial assurance of financial ratios as part of data tables assurance	KPMG assurance report
Risk and return – financial resilience		
Statement	Board Proof Points	Source of assurance/evidence
The Board provides assurance that the actual company is financially resilient over the 2025-2030 period and beyond under its business plan	External financial assurance review of long-term projections, stress testing and scenario testing	KPMG assurance report
The Board has set out the steps it has taken to enable it to make that statement, the factors it has taken account of, and the suite of financial metrics used to ensure the company is financially resilient	Board awareness of financial ratios, metrics, billing profiles and credit rating projections	Risk and return inclusion within PR24 Board Committee Activities
	Financial resilience review	Risk and Return document
Customer engagement		
Statement	Board Proof Points	Source of assurance/evidence
That the board provides assurance that the company’s customer engagement and research meets the standards for high-quality research and any other relevant statements of best practice and has been used to inform its business plan and long-term delivery strategy	Review of customer engagement	PR24 Board Committee Report
	The views of the WaterShare+ Advisory Panel, have been reviewed, included within the plan (where relevant), and responded to	Report of the WaterShare+ Customer Advisory Panel
	External technical assurance confirmation of ‘line of sight’ of customer engagement informing proposals in the business plan.	Jacobs independent assurance report
Undertakings given by Pennon Group to the Competition and Markets Authority pursuant to section 33D of the Water Industry Act 1991, as amended by the Water Act 2014		
Statement	Board Proof Points	Source of assurance/evidence
In line with undertakings given by Pennon Group plc to the Competition and Markets Authority prior to the merger of Bristol Water and South West Water licences, the Board confirms that it has complied with the provisions of those undertakings.	Undertaking by undertaking review	Annexe B

ANNEX B

Undertakings given by Pennon Group plc to the Competition and Markets Authority pursuant to section 33D of the Water Industry Act 1991, as amended by the Water Act 2014

As part of the acquisition of Bristol Water Holdings UK Limited and its regulated water company subsidiary Bristol Water plc, a number of undertakings were provided by Pennon Group plc that were accepted by the Competition & Markets Authority (CMA) as part of clearing the merger.

The undertakings include the requirement that, “At every price review, as part of Pennon’s routine assurance reporting, Pennon shall provide to the CMA and Ofwat an assurance statement from the Board of Pennon that it has complied with the provisions of these undertakings.”

The Board of Pennon confirms that it has complied with the undertakings:

Undertaking	Method of compliance
<p>2.1 Save as may otherwise be agreed or set by Ofwat, Pennon undertakes to ensure compliance with the PR19 determinations for SWW in respect of the SWW region and for BRL in respect of the BRL region until 31 March 2025, and Pennon acknowledges and agrees to the removal of the small company premium (which is currently part of the BRL PR19 determination) and to share half of the merger-specific cost efficiencies with all customers of SWW and BRL in the period to 31 March 2025, including by using the SWW WaterShare+ mechanism (which is currently part of the SWW PR19 determination).</p>	<p>An approach to remove the small company premium was agreed with Ofwat and executed for 2023/24 Charges Schemes. This will be maintained for 2024/25 Charges Schemes. This was confirmed in the Board assurance statement provided for the 2023/24 Charges Schemes. We have not included a small company premium as part of the PR24 business plan.</p> <p>We confirm that half of the merger-specific cost efficiencies will be shared with all customers of SWW and BRL using the SWW WaterShare+ mechanism after the period to 31 March 2025 has been completed.</p>
<p>2.2 Pennon undertakes and confirms that it will ensure that SWW and BRL (or any successor Merged Business) provide separate historical and forecast cost and cost driver information and any other reporting of information with respect to each of the SWW Wholesale Water Activities and the BRL Wholesale Water Activities and do such other things as Ofwat may reasonably require to allow for the maintenance of robust separate price controls with separate revenue controls and revenue limits for SWW Wholesale Water Activities and BRL Wholesale Water Activities from 1 April 2025, and to comply and be consistent with the requirements of Ofwat’s price review process and methodology from time to time.</p>	<p>The PR24 business plan provides separate SWW and BRL information as agreed with Ofwat for the purpose of revenue controls for wholesale activities from 1 April 2025.</p>
<p>2.3 Pennon acknowledges and agrees that Ofwat will maintain separate price controls for the SWW Wholesale Water Activities and the BRL Wholesale Water Activities. The undertaking at paragraph 2.2 above, which Pennon accepts will underpin Ofwat's ability to maintain separate price controls for the SWW Wholesale Water Activities and the BRL Wholesale Water Activities, will be subject to the following exceptions:</p>	<p>See 2.3.1 and 2.3.2</p>
<p>2.3.1 consistent outcome delivery incentive rates ("ODIs", or their equivalent in future price controls) and cost sharing rates (or their equivalent in future price controls) will apply to each of SWW Wholesale Water Activities and BRL Wholesale Water Activities, save to the extent there are material reasons for differences between the SWW region and the BRL region;</p>	<p>We propose where there are consistent ODI incentive rates or different ODI incentive rates within our PR24 business plan, for Ofwat to consider as part of their determination. We note that the value of the ODI rates varies according to Ofwat’s PR24 methodology with the relevant scaling factor and we have maintained this approach.</p> <p>We propose consistent cost sharing rates within our PR24 business plan.</p>

Undertaking

2.3.2 consistent performance commitments ("PCs", or their equivalent in future price controls) will apply to each of SWW Wholesale Water Activities and BRL Wholesale Water Activities, save to the extent there are material reasons for differences between the SWW region and the BRL region. Over time, Pennon aims to achieve performance commitment levels (or their equivalent in future price controls) that are consistent across the Merged Business as soon as reasonably possible, however, at the outset, the performance commitment levels will be specific to each of the BRL region and the SWW region unless there are compelling reasons to the contrary.

2.4 The exceptions in paragraph 2.3 and any additional exceptions that Ofwat deems appropriate either as part of any licence modification process or as part of the development of Ofwat's price review methodology and final determinations from time to time, may not compromise the provision of robust separate historical and forecast cost and cost driver information and any other required information and Ofwat's reasonable requirements with respect to BRL Wholesale Water Activities in order that Ofwat may set robust separate price controls for SWW Wholesale Water Activities and BRL Wholesale Water Activities.

2.5 Pennon undertakes that it will ensure that SWW and BRL (or any successor Merged Business) will provide historical, forecast cost, and cost driver information and any other reporting of information to allow Ofwat to set a combined retail price control for the SWW and BRL regions from 1 April 2025.

2.6 In reporting costs for the separate price controls in annual performance reports, Pennon undertakes that it will ensure that SWW and BRL (or any successor Merged Business) will comply with the accounting guidance published by Ofwat from time to time, including RAG 2 'Guideline for classification of costs across the price controls' (or any successor guidance) and summarise the basis of the allocation of costs in the annual performance report as currently required by Ofwat's Regulatory Accounting Guidance (or any successor guidance).

Method of compliance

We propose where there are consistent PC levels or differential PC levels within our PR24 business plan, and future targets where we expect to show converging PC levels over time. for Ofwat to consider as part of their determination. Factors we have considered in these proposals include the Ofwat PR24 methodology as to whether there are material reasons for different PCs between regions across England & Wales.

We have not identified any exceptions in our PR24 business plan that would prevent Ofwat from setting robust separate price controls for SWW Wholesale Water Activities and BRL Wholesale Water Activities.

This information is provided within our PR24 business plan in the format agreed with Ofwat.

Our annual performance report 2022/23 confirms compliance with RAG2 and provides the required information in support of this compliance.

ANNEX C

Licence condition compliance

Whilst we are deviating from the underlying methodology in respect of certain outcomes as described in this document and the outcomes document, Ofwat does allow companies to propose changes and we will ensure there is sufficient evidence to support the changes we are proposing and would not be considered a non-compliance with the licence.

The below table outlines our process of compliance with licence requirements relevant to the business plan and relevant assurance (in particular independent 3rd line assurance).

Licence requirement	Meaning requirement	of	Relevance to this business plan	Process and assurance
Condition A: Interpretation and Construction	No obligations arise from these definitions of terms		Not applicable	Not applicable
Condition B: Charges	Price limits compliance with a revenue control Restriction of Standard charges Requirements of Ofwat charging rules Periodic Reviews and Interim Determinations		Business plan will include reference to SWW tariffs and charges and average bill illustrations, but the detailed basket of tariffs will not be included in the submission. Specific requirements relating to the price review are: <ul style="list-style-type: none"> Comply with the price control requirements and provide information to enable the periodic review to be completed. Separate price control for water and sewerage, retaining 'K' and RPI/CPIH Confirmation of wholesale & retail activities (RAG 4.11) SWW have not submitted an interim determination for this price review but have requested a change protocol.	KPMG will review the calculation and assumptions in identifying the average bills within the plan. In delivering our business plan we have ensured compliance with the key areas noted within the condition which are reflected in Ofwat's charging rules. KPMG are engaged in reviewing our plans for compliance with Ofwat's charging rules.
Condition C: [not used]				
Condition D: New connections	Connection Charges and Charges Scheme		An assumption for the level of new connections has been assumed in the plan The approach is consistent with the 2020-25 position which is reviewed annually	Jacobs review of expected customer growth and assumptions on developer activity included (data tables SUP1A, SUP1B, DS4 and DS6).
Condition E: Undue Preference/ Discrimination in Charges	Restrictions on differentiation between customer groups in charging		Assurance statement specifically required on non-discrimination for customers in the default tariff. SWW have applied a cost reflective approach to developing the default tariff which considers the customer service offered to each customer type. Compliance with Ofwat's Wholesale Charges Rules and Charges Scheme rules	KPMG has reviewed SWW's approach and calculation of the default tariff and considered the factors for non-discrimination which have been applied for appropriateness.
Condition F: Regulatory accounting statements	Requirements for Accounting records F6: Ensuring that trade with associates is at arm's length Regulatory accounting requirements Audit and publication of accounts		The appropriate regulatory accounting requirements need to be applied to the business plan. Key assumptions include Application of RAG 4.07 to allocate costs between wholesale/retail (subject to some prescriptive allocations requested in the methodology) Asset valuation – NMEAV	KPMG's review of the financial outputs has included consideration of whether these are consistent with the regulatory accounting guidelines where applicable.

Licence requirement	Meaning requirement	of	Relevance to this business plan assurance	Process and assurance
Condition G: Core Customer Information	Requirements of a code of practice Three yearly reviews with consultation with CCW, followed by submission to approval to Ofwat for any revision. Requirement for a Director to be present at a CCW meeting at least once a year. Requirement to draw customers attention to the codes ID methods when visiting customer premises		Customer engagement has been a key element in the development of our plan. We have ensured that our engagement approach is consistent with our current policies and established practices. The WaterShare+ Customer Advisory Panel has extensively considered and fed back to the PR24 Board Committee on customer engagement.	<p>The research and engagement has been completed by a range of independent external consultants.</p> <p>The approach to customer research was independently assured by Frontier Economics and was Peer reviewed by Professor Ken Willis and this review concluded that it was a robust piece of work and met the requirements of the WaterShare+ Advisory Panel.</p> <p>Further details can be found in the 'Engagement and Affordability' document.</p>
Condition H: Procedure on leakage	Code on liability for domestic customers with unidentified leak on supply pipe. Requirement to check when meter installed and subsequently adjust measured charges for first leak Three yearly review with consultation with CCW, followed by submission to approval to Ofwat for any revision. Draw attention to code in demand for charges		This condition relates to the procedures for customer supply pipe leaks – not on the company leakage targets. The business plan retail tables specifically identify the costs associated with this activity and, companies are asked to identify the costs funded by the wholesale and retail business.	<p>The allocation of costs within the business units has been reviewed by EY as part of their audit of Regulatory Reporting as at March 2023, including Accounting Separation.</p> <p>In addition, the 2025-30 forecast has been reviewed by KPMG in both the business plan tables and overall retail plan.</p>
Condition I: [not used]				
Condition J: Levels of Service Information and Service Targets	Pertains to annual reporting year requirements on information to be published and reported to the regulator		Although not directly relevant to the business plan, in respect of service targets, South West Water has outlined as part of the plans proposed performance commitment levels for the 2025-30 period, including limited instances where these deviate from PR24 guidance	The process for our setting of outcomes is set out in our 'Outcomes' document. Internal and third-party assurance (Jacobs) has considered this process and ambition as well as deliverability of targeted levels.
Condition K: Disposals of Land	Ensure that as far as reasonably practicable, sufficient rights and assets (not financial) available to special administrator Publish statement within audited accounts as to compliance with above Group company rights must be available (no reasonably practicable exception) Disposals of protected land process and notification		<p>There are two factors applicable for the business plan:</p> <p>2020-25 impacts of land sales on 2025-30 prices</p> <p>2025-30 potential land sales</p>	<p>A specific business plan table (PD4) reports the historical and forecast land sales for 2020-25 and identifies the opening adjustment required for customer bills. KPMG have reviewed this table.</p> <p>The business plan submission does not include a forecast of land sales, however with the mechanism of pain / gain sharing with customers this may be a noted item.</p>

Licence requirement	Meaning requirement	of	Relevance to this business plan assurance	Process and assurance
Condition L: Underground Asset Management Plan	Ensuring having an underground asset management plan updated for the periodic review		This plan is reflected in the Drainage and Wastewater Management Plan (DWMP), Water Resources Management Plan (WRMP). It is also updated in the updated Asset management maturity assessment (AMMA), which was presented last year. Further plans and updates are reflected into business cases submitted.	The DWMP and WRMP submissions were subject to specific assurance programmes, with Board Assurance Statements specific to them. Business cases included in the PR24 programme have been subject to internal assurance procedures as well as external review by Jacobs.
Condition M: Provision of Information to Ofwat	Provision of any information to Ofwat to fulfil duties Provision of information to support the development and operation of a market in water resources, demand management, leakage services and bioresources		Ofwat have issued the Methodology for price setting and subsequently information notices, further requests for information and clarification of industry queries raised. None – the condition obliges the company to comply with a direction from Ofwat to provide specified information	Throughout the Jacobs, T&T and KPMG reviews, consideration has been given as to SWW’s compliance with Ofwat’s guidance.
Condition N: Fees	Pay Ofwat fees		The business plan includes South West Water’s estimate of Ofwat fees. No uplift in excess of CPIH has been assumed.	South West Water’s financial data table assumptions have been subject to external financial assurance (KPMG)
Condition O: Termination and replacement appointments	25 years rolling notice from Secretary of State		Not applicable	Not applicable
Condition P: Regulatory ring-fence	Appointed business to be conducted as if it is substantially the Appointee’s sole business Appointee retains sufficient rights and assets and has in place adequate financial resources and facilities management resources and systems of planning and internal control Transfers or transactions entered in to do not affect the Appointee’s ability to carry out its regulated business The Appointee demonstrates compliance with the requirements of the condition		The business plan has been developed in line with the principle of the appointed business being substantially South West Water’s sole business, which is overwhelmingly in line with reported financial data within South West Water’s Annual Performance Reports. Sufficient rights and assets are in place and a detailed financial resilience exercise has been completed. The plan requires sufficient resources and facilities in line with South West Water’s committed outcomes and its systems of risk management and internal control. No transfers or transactions are entered into which impact the company’s ability to carry out its regulated business.	KPMG, T&T and Jacobs assurance of business plan and review of Appointee tables. Annual external assurance and Risk and Compliance Statement.

Licence requirement	Meaning of requirement	Relevance to this business plan assurance	Process and assurance
Condition Q: Interruptions in supply because of drought	Payments to customers for drought supply interruptions	The business plan sets out our plans for water supply demand and clearly our Water Resources Management Plan (WRMP) over the long-term is designed to sufficiently mitigate the chances of any interruption to supply because of drought.	SWW's Water Resources Management Plan (WRMP) was reviewed by Jacobs as part of the early assurance process prior to submission, and the EA and Ofwat have provided comment on our plan. The final WRMP submission reflects responses to feedback and has been further assured internally and externally.
Condition R: Provision of combined and wholesale water supplies	Arm's length with associated WSL licensee Compliance code reviewed annually which it conforms to Requirements to provide information to WSSL licensee	Whilst the wholesale/retail elements are considered separately, and our plan includes some costs expected as a result of market opening the impact of any new water supply licences will not be included.	Not applicable
Condition S: Introductions of water under the water supply licensing regime	Requirement to comply with CTP for the wholesale supply market (where new licensees introduce water to supply their customers) Obligation to have an Access Code	Whilst the wholesale/retail elements are considered separately, and our plan includes some costs expected as a result of market opening the impact of any new water supply licences will not be included.	Not applicable