Investor Summary

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Contents

This document summarises key metrics from South West Water's Business Plan for the five years from 1 April 2025 – 31 March 2030.

South West Water's licence incorporates the provision of water services for Bournemouth Water and Bristol Water, and the combined water and sewerage undertakings for South West Water.

Where Bristol Water 2020-25 financials are included, this is based on Bristol Water's CMA final determination (March 2021) unless otherwise stated.

The financial information included within this document is shown in 2022/23 CPIH deflated prices, unless otherwise stated.

This document forms part of a suite of documents submitted as part of the proposals made to Ofwat for their PR24 business plan process.

The right deal for right now

Business plan proposal 2025-2030

Right deal • Right now •

Totex of £4.5 billion

Total capital investment of £2.8 billion

- **Water £1.3 billion**
- **Wastewater £1.5 billion**

Average gearing of 63%

Nominal RCV growth of 38% (real – 25%)

RORE range of 0.0 – 8.6%

Financeable – all key financial metrics met on a notional and actual basis

Credit rating – strong investment grade outlook

Customer acceptability – 74%

Average bill increases to 2030:

Bristol – 18%

Bournemouth – 22%

Devon, Cornwall and Isles of Scilly – 22%

Executive Summary

30,000 customers and 1,000 stakeholders engaged in development

Serving a population of **3.5 million** across the greater South West

Strong customer support for our key investment areas

A vision towards a sustainable future – we're doing this

In many ways, our plan for 2025-2030 is a no surprises plan as we continue to do what we said we would.

It's a plan that goes further in tackling the biggest challenges in our region, as we invest to protect water quality and enhance resilience, tackle storm overflows at our beaches, eradicate pollutions and protect the environment from climate change. With a laser like focus on efficiency, it's also a plan that supports customer affordability.

Our £2.8bn investment is an ambitious plan, the right plan, and the right deal for our region. And here's why.

With a third of the nation's bathing beaches, 860 miles of coastline and a largely granite peninsula with adjacency to the western approaches of the Atlantic Ocean, climate change is already changing how we live. Drought, flooding, rising sea levels and coastal erosion are too frequently part of everyday lives. Last year, the South West experienced one of the hottest, driest summers since records began. Rising sea levels and coastal erosion presents one of the greatest risks to our region. Not only are some of our biggest cities, Exeter and Plymouth, vulnerable, but so too are the homes and livelihoods of thousands of people right across the South West. The majority of our population is concentrated around the coastline, and so are the majority of our assets.

This is also a region, largely dependent on tourism and agriculture for its economic health, and where the cost of living crisis has taken its toll. It's home to c.100,000 businesses, many employing less than 10 people along with c.13,000 farms and significant land use in our region dedicated to farming. It's also a region with an ambition, to become the first net zero carbon region in England.

Rewinding back to 2020, and the start of our current business plan, we were plunged into the depths of the pandemic. With the sector seen as an essential service, we stepped up as key workers, keeping the taps flowing. We were also asked to accelerate investment under 'Build Back Better', creating jobs at a time when most needed.

As travel abroad became a lottery and working from home became the new normal, the South West experienced significant population growth, as our planned 2050 migration to the region descended on the region in the space of two years. A combination of increased demand and extreme weather patterns, tested both our assets and our resilience. At the same time, peoples' love of their favourite beaches grew - whether you lived here, or were just visiting.

The performance of our assets was tested during this time and following a successful rollout of monitors on to our network, this performance has been scrutinised not only by us, but by our many stakeholders. None of us liked what we saw and as a sector we need to change – and we are.

WaterFit, our £100m plan to 2025 for healthy rivers and seas is targeting 49 of our beaches, with 70 schemes in progress or completed to date, as we increase storm storage, sewer separation and divert flows with a green first, nature-based approach. Our 2020 pollutions reduction plan, is delivering as we said it would with a 50% reduction to date, and with the second lowest number of absolute pollutions in the sector. By 2025, we expect to be the lowest.

On water resilience, we are investing c.£125m to break the cycle of drought. For Devon and Cornwall, we are on track to improve water availability by 30% and 45% respectively by 2025, having recently lifted the hosepipe bans in place, and with double the resources levels compared with last year (64% today, 32% last year). We have delivered new water resource and water efficiency plans, and to date, we've issued over 240,000 water saving devices and are on track to install Cornwall's first ever desalination plant to improve resilience.

On Net Zero, South West Water's parent company, Pennon Group plc, is investing £145m in solar PV, having acquired 4 sites across the UK that will deliver c.135 GWh of electricity annually, with additional battery storage of 60 MW. This means Pennon can help us in accelerating our Net Zero target of 50% self-generation, in addition to de-risking our exposure to volatility in the global power markets.

On customer affordability, we have been expanding our efforts to support customers during this ongoing cost of living crisis, with £85m of support unlocked to date. We are on track to deliver our Board Pledge of zero customers in water poverty by 2025, with 97% of South West Water customers and 100% of Bristol Water customers finding their bills affordable, and in 2023 we kept bill increases below inflation levels. We've also seen a 23% increase in the number of customers on one of our support tariffs, with just over 110,000 customers accessing one or more of our affordability measures to date.

We are focused on improving our operational performance over the remainder of this regulatory period, to deliver against our performance commitments with published action plans in place. We are on an upwards trajectory to 2024/25, noting Ofwat's most recent performance assessment of South West Water, and the Environment Agency's latest EPA assessment.

Having received licence merger clearance from Ofwat on merging Bristol Water into South West Water in February 2023, we are now able to focus on ensuring improved performance in the Bristol region with increased operational rigour and sharing of best practices.

Our 2025-2030 business plan will continue to tackle these same challenges head on.

Executive Summary

Our £2.8bn investment will create c.2,000 jobs in the region, as we commit to providing 1,000 apprentices and graduate opportunities to 2030. It will provide much needed job security in the wider supply chain across the region. It's also a balanced plan, between water and wastewater, and one we are well placed to deliver.

It's also a plan grounded in extensive customer research involving 30,000 customers and over 1,000 local stakeholders. Given 90,000 of our customers are now shareholders in our parent company, Pennon, through our unique WaterShare+ scheme, the WaterShare+ Customer Advisory Panel has led on our customer engagement. Customers have shaped this plan, including key aspects such as the investment priorities and the profiling of customer bills. Overall this plan has received strong support that we should invest more, with universal agreement that the priorities are the right ones. We therefore consider that it meets Ofwat's quality and ambition assessments, with an outcome framework anchored in customer's expectation and aligned with Ofwat's objectives of PR24.

So, what are the key deliverables of our plan?

Storm overflows

- By 2030, we will have tackled all storm overflows at our bathing beaches, shellfish waters and high spilling sites – 20 years ahead of the government mandated target, given the importance of tourism to our region
- In the meantime, and to restore confidence in our bathing waters, we will implement a first of its kind monitoring regime so everyone can feel they can enjoy being in the water at their favourite beach
- We will take a "Green First" approach to investment, working with nature to improve drainage and reduce storm overflows.

Water quality and resilience

- Upgrading a third of water treatment works across our region and investing in two new treatment works in Bristol, alongside Bournemouth's completion of state-of-the-art ceramic new treatment works
- Resurrecting plans for the Cheddar 2 reservoir to boost water resources in the Greater South West
- Creating a water grid to ensure all our strategic reservoirs are connected, ensuring we can move resources across the region
- Reducing leakage levels to less than 10% on our network and less than 4% on customers' networks.

Net zero and environmental gains

- Continue with our 'Promise to the Planet' to become Net Zero by 2030 by decarbonising our operations, and reducing emissions of Nitrous Oxide and repurposing methane
- Expanding our nature recovery programme - extending Upstream Thinking into new catchments, planting 300,000 trees and re-naturalising waterways for wildlife
- Transform sludge treatment processes to protect rivers.

Addressing affordability

- Importantly, in a cost of living crisis, we appreciate how unwelcome it is for any bills to increase. In response, we have challenged ourselves to ensure that the necessary increases are fair. The Board has pledged to extend our commitment to ensure zero customers in water poverty to 2030.

- Delivering our largest ever package of support with over £200m of affordability measures
- Expanding our unique Watershare plus scheme to one in every 10 households
- Introducing a range of fair tariffs to help customers use less and save more.

It's also a financeable plan, benefiting from a strong balance sheet providing financial resilience. Our current gearing is at a relatively low level compared to the sector, and as we move into the next regulatory period our gearing will benefit from regulatory true-up adjustments taking our opening Regulator Capital Value (RCV) to c.£5.4bn. Within this amount is c.£100m that we are proposing is moved from K8 revenues to RCV to help manage customer bills in the right way. Through 2025 to 2030 we anticipate nominal RCV growth of 38% (real – 25%) reflecting our long-term investments and the value being created for customers, the environment and our investors.

Having considered Ofwat's cost of capital and retail net margins, we have prepared our plan on that basis. We plan to continue to finance activities in a way that will maintain key financial ratios, consistent with a strong investment grade rating. We will take a balanced approach to the sharing of delivery and operational risks between our shareholder and our customers. We have set stretching targets and a cost base that assumes efficiency is delivered to ensure we play our part in making this plan efficient and affordable.

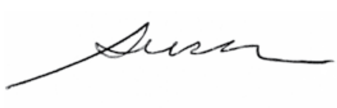
We are confident, and well positioned in our capital delivery capability across the South West. We have appointed Tier 1 delivery partners with long term contracts that can run out to 10 years. Advance planning for the transition to the plan's delivery model has been underway since September 2022, broadening our supply chain alliance, and Tier 2 & 3 partners will be ready for the start of the next financial year. We have also strengthened our Executive, with new appointments to ensure we make a fast start.

Finally, we have considered how else to rebuild trust with our actions. We have demonstrated constraint in our approach to executive pay, and are proposing to consult on changes to go further. Our dividend policy, with its link to overall RORE outturns, ensures we take an holistic view of performance including outcomes for both customers and the environment.

Additionally, we propose to extend the remit of our WaterShare+ Customer Advisory Panel in voting on executive pay and scrutinising the dividend policy. Over 90,000 customers, the equivalent of one in every fourteen households, are now shareholders in our parent company Pennon and as part of Watershare+, giving them a stake and a say in their local water company which is unique in the sector. We believe this is the best way for customers to hold us to account as well as providing a mechanism to share outperformance. For this business plan we want to go further, targeting one in every ten households and with the addition of a new WaterFit Environmental Advisory Panel to hold us to the same high standards.

In summary, our 2025-2030 business plan is a plan building on the momentum we have today, that goes further in tackling the biggest challenges in our region, as we invest to protect water quality and resilience, tackle storm overflows at our beaches, eradicate pollutions and protect the environment from climate change. With a laser like focus on efficiency, it's also a plan that supports customer affordability.

Our £2.8bn investment is an ambitious plan, the right plan, and the right deal for our region.



Susan Davy
Chief Executive Officer

2 October 2023

Tackling the biggest challenges head on

Our capital investment of £2.8bn across the regions we serve includes our base maintenance programme alongside an extensive enhancement programme, focussed on tackling four key challenges.

Water quality and resilience

We will invest in:

- Upgrading one third of the water treatment works across our regions to meet future challenges
- Reducing the use of lead pipes through the replacement of up to 50,000 customer lead pipes
- Replacing 200km of cast iron pipes
- New, strategic reservoirs in the region, starting with Cheddar 2 in Bristol and a water re-use plant in Poole, equivalent to growing resources by a further 6% in Cornwall and 29% in Devon
- Reducing leakage by 19% in the South West region, and 14% in the Bristol region
- Developing 4 new water supply schemes
- Installing 78km of new strategic regional interconnector schemes to to ensure all our strategic reserviors are connected
- In R&D to improve our knowledge and understanding of emerging contaminants of micro plastics and forever chemicals.

To achieve:

- An increase in our resource availability to break the cycle of drought
- A target of industry leading leakage levels across our region to less than 10%, of the water we produce, and less than 5% on customers' own properties
- Building on our pioneering catchment management schemes to naturally filter water in 80% of our catchments
- 12 million litres per day of reduced abstractions from environmentally sensitive rivers.

£639m enhanced investment

92% customer support

Storm overflows and pollutions

We will invest in:

- Interventions across all 151 bathing and shellfish waters, and high spilling sites across the region
- Adding 150,000m3 of storage to capture rainfall and reduce overflows – the size of 60 Olympic sized swimming pools
- Installing over 20,000 monitors to tell us when and where we need to intervene to prevent a pollution incident
- Targeting treatment volumes of 98.5% (currently 97%)
- Upgrading over 200km of our sewer network
- Targeting 50% of storm overflow flows removed through catchment solutions, including nature-based solutions and sewer separation/upgrades – as we look to boost nature.

To achieve:

- A twin-track approach of building capacity and catchment solutions
- 100% of storm overflows at beaches addressed, maintaining bathing water quality all year round
- Community confidence, with pop up venues across 80 catchments so customers and communities can see the progress we are making
- Sector-leading performance minimising sewer flooding to homes and businesses
- A reduction in pollution levels to industry leading low levels – with zero serious pollutions
- A reduction in the rainwater draining into our sewerage network by a volume equivalent to over 350 hectares worth of land.

93% customer support

£761m enhanced investment

Net zero and environmental gains

We will invest in:

- Completing our transition to a 100% electric fleet
- Planting 300,000 trees
- Bioresources to generate 58Gwh, enough energy to power 20,000 homes
- Upgrading treatment works across Devon and Cornwall to remove even more harmful contaminants and nutrients from treated discharges
- Expanding our award winning "Upstream Thinking" programme to 146,500 hectares
- Delivering the next stage of our net zero commitment – lowering the carbon impact of our operations and increasing renewable energy
- Re-naturalising our waterways to enable fish, eels and beavers to move without obstruction
- Introducing wastewater treatment to the Isles of Scilly for the first time, for over 2,000 residents.

To achieve:

- Reduced emissions from sewage, supply chain and operations
- 1,000 smart ponds initiatives to enhance biodiversity
- A new nature recovery fund to help improve catchment water quality, through new partnerships and collaboration
- 50% renewable energy self-generated by 2030
- A new independent environmental advisory panel – the WaterFit Advisory Panel – to ensure we are focused on putting the environment first
- A programme of nature recovery across our region
- Transformed sludge treatment processes to protect rivers from the risk of pollution, whilst increasing the value to the circular economy by recycling more waste than ever.

93% customer support

£431m enhanced investment

Addressing affordability and delivering for customers

We will invest in:

- Delivering our largest ever package of support to help those struggling to pay – doubling to £200m
- Revolutionising our charges to ensure they are fair to all and giving choice to households on how they manage their water usage and bills
- Helping 25% of homes to register for Priority Services
- Continuing to share outperformance and success with customers – WaterShare+
- Accelerate smart metering roll out, helping household customers use 5% less water
- Opening our data to customers and communities, so they can hold us to account.

To achieve:

- Doubling down on our commitments to ensure that 0% of customers are in water poverty in our region
- Help for over 100,000 customers through our social tariffs
- Improved digital and self-service offerings to make it easier to interact with us
- A further shift in control, from water company to customer, with an ambition to have one in every 10 households having a stake and a say in their local water company through WaterShare+.

£17m enhanced investment

83% customer support

- **Enhanced expenditure reflects new, legislative obligations and customer priorities for each region**
- **Base maintenance positioned efficiently**

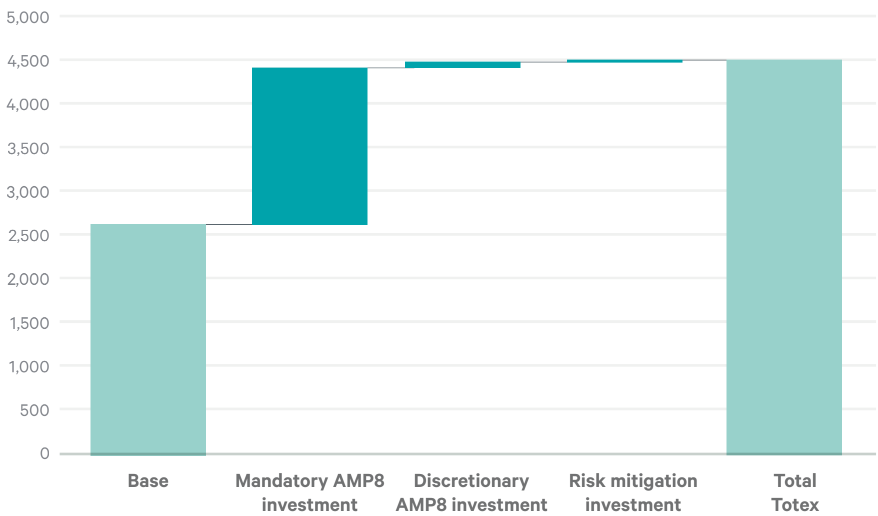
Investment programme			
£m (real)[1]	**2020-25[2]**	**2025-30**	**% change**
Enhancement – total	404.6	1,769.4	337%
Water	218.4	719.2	229%
Wastewater	186.2	1,050.2	464%
Maintenance – total	934.5	1,036.6	11%
Water	535.2	531.7	-1%
Wastewater	399.3	504.9	26%
Investment – total	**1,339.1**	**2,806.0[3]**	**110%**
Water – total	753.6	1,250.9	66%
Wastewater – total	585.5	1,555.1	166%
South West Water	1,136.7	2,404.7	112%
Bristol Water	202.4	401.3	98%

- **Continued focus on delivering cost efficiency– targeting on frontier efficiency**
- **Realising synergies from the aquisition of Bristol Water**

Appointee totex (gross)			
£m (real)[1]	**2020-25[2]**	**2025-30**	**% change**
Totex – total allowance	2,947.1	4,514.4	53%
Water	1,631.9	2,225.5	36%
Wastewater	1,097.2	2,070.2	89%
Retail	218.0	218.7	0%
Base efficiency (before out performance)			
Capital expenditure	5%	15%	10%
Operating costs	3%	4.5%	1.5%

- **Totex investment driven by legislative and regulatory requirements**

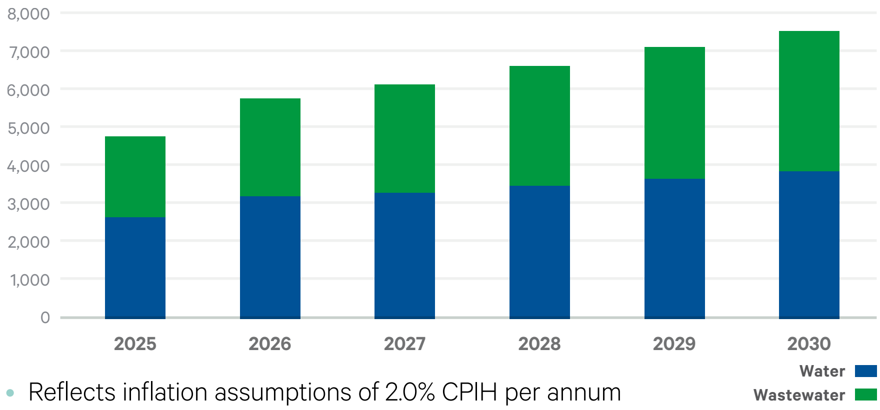
Investment summary – £m (real)



1 2022/23 prices.
2 2020-25 reflects combined programme for South West Water (including Bournemouth Water) and Bristol Water for the whole regulatory period to aid comparability.
3 Includes accelerated infrastructure delivery in K7.

- **>50% RCV growth forecast to be delivered in K7, including 19% from Bristol water acquisition in 2021**
- **38% nominal growth in RCV over K8 driven by increased scale of enhancement programme (real 25%)**

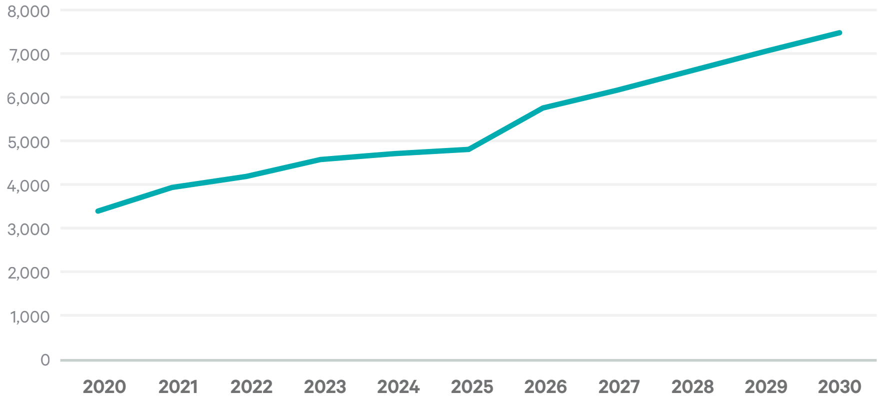
Regulated Capital Value (RCV) allocation to revenue control[4]



- Reflects inflation assumptions of 2.0% CPIH per annum

- **Opening RCV adjustments in 2025 reflects regulatory true-ups in relation to totex, tax and inflation**

Shareholder value – RCV growth



- Legacy revenue adjustments detailed in Appendix on page 31.

- **Returns for K8 in line with Ofwat's final methodology**
- **Total returns higher than 2020-25 reflecting increasing cost of debt, outweighing the reduction in equity returns**
- **Range for RORE – 0.0 – 8.6%**
- **Financeable – financial covenants and key ratios met**

Real returns based on

	SWW 2020-25	BRL 2020-25	Ofwat methodology (Dec 2022)	Ofwat methodology (market update)[5]
Appointee WACC	2.96%	3.20%	3.29%	*3.68%*
Retail net margin	0.04%	0.08%	0.06%	*0.06%*
Equity return	4.19%	4.73%	4.14%	*4.59%*
Cost of debt	2.14%	2.18%	2.60%	*2.94%*
Embedded debt	2.42%	2.47%	2.34%	*2.65%*
New debt	0.63%	0.54%	3.28%	*3.74%*
Share of new debt	20%	17%	17%	*17%*
Notional gearing	60%	60%	55%	*55%*
Return on Regulated Equity	-0.7 - 8.5%	1.7 - 7.9%	0.0 - 8.6%	*0.0 - 8.6%*
Tax	17%	17%	25%	*25%*
Financeable	✓	✓	✓	✓

4 RCV allocation to water includes: SWB water resources, SWB water network plus, BRL water resources, BRL water network plus. RCV allocation to wastewater includes: wastewater network plus and bioresources. The residential retail price control has no RCV allocation.
5 Reflective of current market conditions.

Key financials

The table below identifies the costs included within the building blocks of allowed revenue for the appointed business only.

Revenue building blocks (£m – outturn prices)	2025/26	2026/27	2027/28	2028/29	2029/30	2025-30
PAYG (operating costs including retail and IRE)	369.9	379.7	391.2	405.2	422.4	**1,968.4**
RCV run-off (including post 2020 additions)	274.8	286.5	300.8	315.9	330.2	**1,508.2**
Pension deficit repair costs	nil	nil	nil	nil	nil	**nil**
Return on RCV	178.6	190.1	203.7	218.0	231.8	**1,022.2**
Residential retail[6]	60.2	61.6	63.4	65.5	67.8	**318.5**
Tax	-	24.3	21.1	18.7	17.5	**81.6**
Revenue legacy adjustments	13.1	19.8	20.5	21.5	22.6	**97.5**
Grants and contributions recognised in revenue[7]	(3.0)	(3.3)	(2.1)	(1.2)	(0.6)	**(10.2)**
Total appointee revenue	**893.6**	**958.7**	**998.6**	**1,043.6**	**1,091.7**	**4,986.2**
Key financial metrics						
Capital expenditure	535.9	614.5	684.5	675.9	667.5	**3,178.3**[8]
Water	271.5	279.2	296.5	313.1	300.4	**1,460.7**
Wastewater	264.4	335.3	388.0	362.8	367.1	**1,717.6**
PAYG ratio	43%	40%	38%	39%	41%	**40%**
Regulated Capital Value (RCV)	5,724.2	6,117.6	6,572.2	7,008.8	7,430.4	**7,430.4**
Net debt (notional)	3,220.6	3,519.9	3,862.2	4,192.9	4,502.3	**4,502.3**
Net debt (actual)	3,543.2	3,832.5	4,168.5	4,492.6	4,797.6	**4,797.6**
Gearing (notional)	56.3%	57.5%	58.8%	59.8%	60.6%	**58.6%**
Gearing (actual)	61.9%	62.6%	63.4%	64.1%	64.6%	**63.3%**
Notional interest charge	(145.4)	(154.7)	(167.8)	(181.5)	(194.9)	**(844.3)**
EBITDA interest cover (actual)	3.3	3.4	3.2	3.1	3.0	**3.2**
Base dividends	50.6	53.8	57.7	61.7	65.6	**289.4**

Financing	2020-2025	2025-2030
Planned average gearing	63.0%	63.3%
Notional average gearing	61.0%	58.6%
New funding requirements	£1.1bn	£2.5bn
Of which, required refinancing	£0.7bn	£0.7bn

Financial levers – K8 average (K7 average)	Water	Wastewater
PAYG rate	49% (55%)	30% (52%)
RCV run-off	4.5% (4.7%)	5.0%[9] (5.1%)

6 The margin is 1% on this revenue.
7 Including non-price control other income.
8 Excluding accelerated infrastructure delivery in K7.
9 Excluding bioresources – 4.7%.

- **PAYG and run-off rates reflective of underlying cost profiles and asset lives**
- **Targeting strong investment grade credit rating**
- **Interest costs reflective of cost of capital and rising in line with debt requirements**
- **Base dividend yield of 2% broadly maintains a continuing profile in absolute terms from K7**

Key revenue building blocks

Supporting delivery and affordability through **efficiency and innovation**

Totex

Following the merger of Bristol Water's licence with South West Water on 1 February 2023, this plan includes seven specific price controls, with two specific to Bristol Water, as below. Operating and capital expenditure has been allocated between these separate revenue controls.

Water

South West Water

- Water resources
- Water network plus

Bristol Water

- Water resources
- Water network plus

Wastewater

South West Water

- Wastewater network plus
- Bioresources

Retail

South West Water & Bristol Water – combined

- Residential retail

Targeting operational **cost efficiency savings of 12% per annum**

Efficiency

In the period 2020-25, totex efficiencies delivered in the early years of K7 has enabled us to reinvest in some of the most significant challenges we face as a sector, including boosting water resilience and reducing storm overflows, to deliver improvements above our K7 business plan commitments, along with absorbing some of the macro-economic driven shocks.

For our plan to 2030, we have applied a significant efficiency challenge, recognising that we need to step up more than ever before, transforming the way that we work and think to deliver services in new ways at reduced costs. In total, this efficiency translates to £300 million from base expenditure and £300 million from enhancement expenditure – 12% overall. This is before taking the frontier shift into account.

We have a number of strategic initiatives in progress to support this, alongside improving performance. These include:

- **Customer led intelligent operations** – aligning operational work with customer journeys ensuring work is effectively and efficiently allocated, giving more insight and reporting
- **Partnerships** – driving efficiency in our key partnerships to ensure work is targeted efficiently at lowest cost
- **Digitalisation** – generating insightful data sources to enable better analysis of processes and work to enable process re-engineering and cost reduction
- **Power** – increasing levels of self-generation to protect against volatile wholesale power markets
- **CREWW** – harnessing innovation in partnership with the University of Exeter.

Find out more here

Costs and efficiency

Our plan is **well supported by customers**, delivering outcomes that will boost the economy of the Greater South West, enhance the environment, and protect public health

Capital charges, fast and slow money

Key areas of sensitivity are:

RCV run-off rate 'slow money' – the cost of our current assets and future investment which are included annually within customer bills. RCV run-off has slightly decreased for this business plan reflecting the nature and proportions of expenditure on shorter life assets.

Pay-as-you-go ratio – 'fast money' which appears in customers' bills in this regulatory period (K8), largely through operating costs and maintenance. This ratio on average over the period has decreased as a result of the increase in the scale of the enhanced investment programme compared to the modest increase in operational expenditure.

We have used run-off rates and pay-as-you-go ratios which align with how costs in our plan would naturally fall and we have not needed to adjust these rates for financeability purposes.

Investor returns

We have developed our K8 business plan using Ofwat's cost of capital and retail net margins as per the Final Methodology published in December 2022. Alongside this we have reviewed and considered with the help of independent analysis, Ofwat's guidance for the cost of capital.

We believe there is a strong case for a higher cost of capital to be used. Updating the cost of capital for latest observable market data for both debt and equity costs would, we believe, result in a higher cost of capital of 3.68%. This would then increase further to 3.74% if the assumption around the proportion of new to embedded debt were to increase in line with the actual expected ratio of 34%. This higher ratio simply reflects the level of funding required to deliver our elevated capital investment programme.

We have used a 2% CPIH rate of inflation, consistent with the position described in the Ofwat's PR24 methodology. We have adopted the same cost of capital across all wholesale price controls.

Returns to investors are derived from both the wholesale and retail revenue controls. Overall returns are set out in the table on page 11.

Investing in the areas that matter most

Reflecting **what matters most** to customers

Grounded in the **long-term**

Fostering an **innovative mindset** is at the heart of our business

Our most ambitious investment programme to date

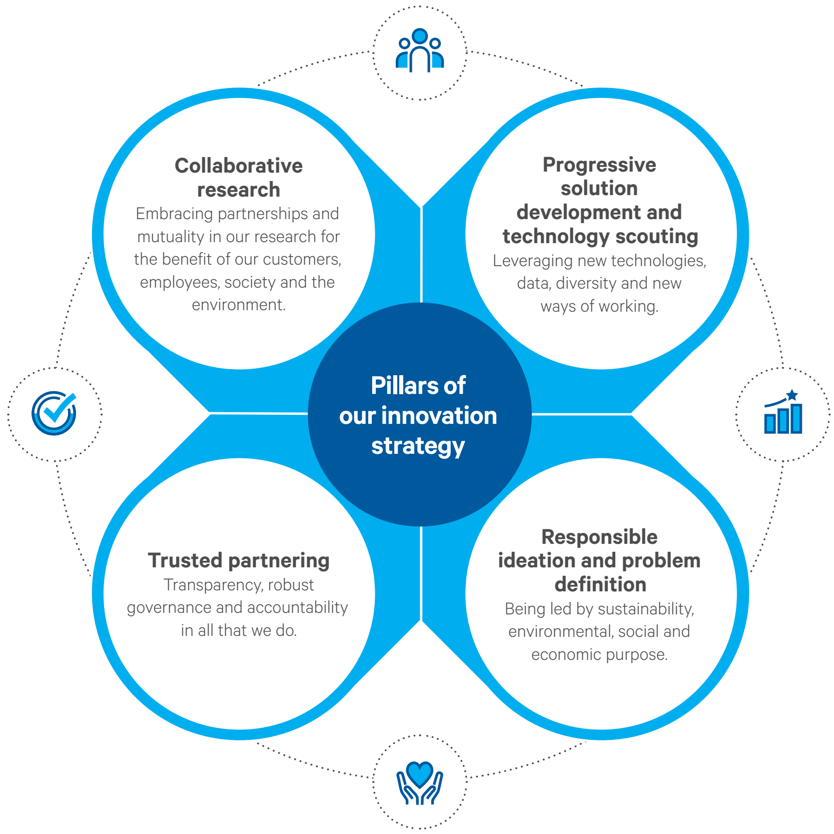
Our planned capital investment programme for 2025-30 is £2.8bn[10], compared to £1.3bn[10] forecast in 2020-25. This is our most ambitious plan to date, representing a doubling of our investment in the region – a plan that will deliver benefits for customers, communities and the environment.

This plan has been carefully balanced, taking account of what has been mandated legally or regulatory, overlaid with what matters most to customers in our region, whilst being mindful of the cost of living crisis and customer affordability.

90% of our plan is required to meet legal and regulatory requirements. The remaining 10% is a combination of prioritisation based on customer preferences, and in delivering sustainable solutions to protect the environment. We have consulted with customers on 100% of our plan and have strong customer support for our four priority investment areas.

Our innovation strategy

As well as having the right supply chain in place, we need to be resilient to the changes happening around us. To do this, we need to not only continuously improve our processes and the quality of our services, but actively seek new solutions with long-reaching and cross-cutting benefits. Our plans will embrace innovations that deliver a step-change in reducing carbon emissions, make environmental improvements, secure a resilient service and, where possible, lower our costs.



10 Investment presented in 2022/23 prices

Delivering our plan

Contracts in place to deliver our capital plans for the next **10 years**

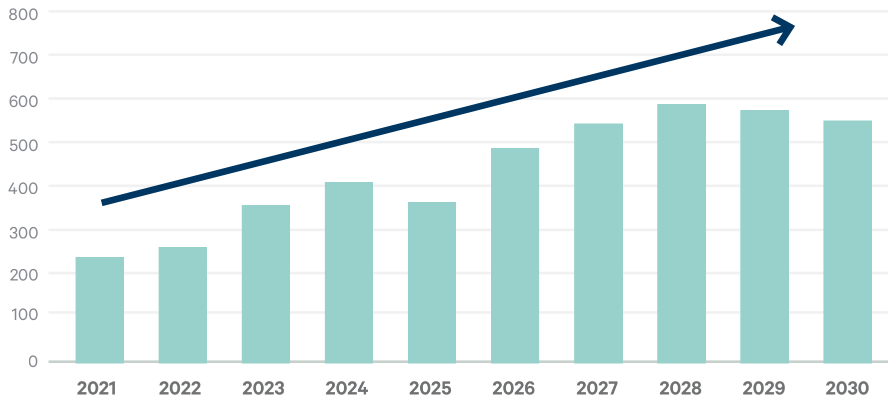
Enabling, and delivering our business plan

A substantial transformation is well underway across South West Water to both enable and deliver the 2025-30 business plan. This is focused on safely and efficiently achieving the outcomes required whilst delivering a great customer experience and boosting the wider economy across the South West.

As one of the biggest organisations in the South West we work with a large and diverse supply chain. Our partners play a vital role in supporting sustainable growth and cost base efficiency across the business.

With the step up in investment becoming clear early on, the transition to our K8 delivery model commenced in September 2022. This substantial transformation programme is well advanced and builds on the ramping up of investment over previous regulatory periods.

Total capital investment (£m)



Supporting the creation of **over 2,000 new jobs** in the region

Our delivery model is based on three decades of delivering the largest programmes of investment the region has ever seen

We have put in place contracts to deliver our plans for the next 10 years.

Consultant partners (project and programme management, cost management, design and engineering services) and Tier 1 partners have already been appointed and through close engagement with our supply chain we have confidence that in the South West there will be sufficient capacity in the market to deliver the required investment programme. This means they are already engaged in the detailed design and delivery of the investment programme.

We have made extensive preparations to ensure that our programme is deliverable, which have included:

- **Stepping up our capital delivery this control period** – we have increased our delivery across a number of areas, and have made use of transition expenditure – making an early start on the 2025-2030 programme. By 2025/26 our capital programme expenditure levels will be double that of the 2020/21 levels.
- **Early engagement with the supply chain** – we have held several engagement events with our supply chain, giving the market early visibility of the likely size and shape of the forthcoming capital programme. This has included discussions on ways of works and the types of solution we would like to see delivered – for example, a greater focus on a nature first principle ahead of hard engineering solutions.
- **Expanding our commercial frameworks** – we have expanded our framework arrangements to include a greater number of suppliers. Selection of contractors involved invitations to 989 suppliers, and resulted in 6 Tier 1 contractors being secured. Greater diversity helps provide greater resilience in ensuring sufficient resources in place for efficient delivery.
- **Greater supply chain collaboration** – in particular, ensuring that key commercial terms flow through our Tier 1 suppliers to our Tier 2 suppliers. This will ensure greater alignment on key areas such as approaches to health and safety, and should help ensure a more sustainable pool of tier 2 partners.

Having tested our deliverability plans with partners, our WaterShare+ panel, and our regulators, we are confident that we can deliver this planned investment for customers, communities and the environment.

Find out more here

Costs and efficiency

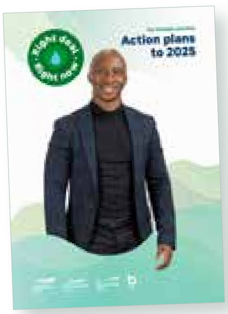
Performance to 2025

100% of our bathing waters **meet stringent Environment Agency tests**

50% reduction in **wastewater pollutions** in K7 to date

Focused on **further reducing leakage**

Find out more here



Action plans to 2025

Making progress against our key priorities

We have achieved a significant amount in the first three years of the current regulatory period. We have expanded the region we serve, experienced the real impact of climate change through extreme weather events, and seen a significant increase in our regional population – with close to our 2050 estimated growth over the first two years of K7.

During this time we have focused on delivering the right outcomes, in the right way. We improved our financial resilience through a £45 million direct equity injection from Pennon Group plc, making responsible dividend decisions and reducing the high levels of debt Bristol Water had on acquisition – with the combined company now more resilient than ever.

Overall, we have delivered c.70-80% of our Outcome Delivery Incentives over the first three years of K7 and we continue to target improvements. Like all other companies in the sector, there is more to do to meet the stretching targets set to 2025 – with no company achieving a net reward for the common measures set for the period.

We also track and measure environmental performance against over 100 metrics, with metrics relevant to the Environment Agency's Performance Assessment (EPA). Our underlying performances is improving across all environmental metrics as reflected in our two star EPA rating given by the Environment Agency. We have robust plans in place and remain committed to achieving a four-star rating by the end of K7.

By the time we get to 2025 we will have:

- → **Achieved our best ever environmental performance**
- → **Improved source availability by 45% in Cornwall, 30% in Devon and 80% on the Isles of Scilly**
- → **Reduced bills to their lowest levels in 10 years.**

Outperformance enabling reinvestment

Since we set out to deliver our plans from 2020, we have had to adapt and demonstrate new levels of agility to address the challenges we have faced. At the same time across the sector, what is required of us has increased, as expectations around the environment have grown. We have been tackling these challenges head on, and these challenges have shaped our four key priority investment areas for K8. The improvements we are delivering to date provide a strong platform for the delivery of our 2025-2030 plan.

Through the strength of our balance sheet, outperformance earned in the early years of K7 and the support of shareholders we have been able to fund new initiatives, over and above our business plan commitments, including WaterFit, Green Recovery, and Accelerated Infrastructure Delivery – as well as our fleet of foot investments to break the cycle of drought in the region.

A **strong foundation** to deliver **further improvement**

Rebuilding trust

WaterShare+

Engagement to empowerment

The South West Water WaterShare framework was created ten years ago and has evolved to support a transparent reporting of performance and a sharing of financial benefits to customers across our regions. This mechanism allows for year on year true ups of performance, and inherently uncertain aspects in the plan.

To date, we have returned £40m to customers through our WaterShare+ mechanism and we are proposing to retain this to 2030. We will maintain the principle of sharing 100% of market 'unearned' gains with customers whilst still preserving our incentives to efficiently raise finance and investors to appropriately bear risk in this area.

We will continue with the option enabling customers to own a true equity stake and say in our business, a unique mechanism. In the South West area one in 14 customers have taken up this option, and we are looking to increase this to one in 10 over the next 5 years.

Aligning executive remuneration

Our executive remuneration strategy has always been set against a number of key principles.

For remuneration arrangements for 2025-30, we propose going further, and will be consulting on aligning arrangements to the things that matter most to customers and as a socially responsible business.

- Expanding the remit of the independent WaterShare+ Customer Advisory Panel to vote on Executive Pay.
- Aligning 70% of annual bonus arrangements for South West Water executives to ensure they are remunerated for tackling the biggest issues head on, and the four priorities areas in our plan covering water quality and resilience, storm overflows and pollution, net zero and environmental gains, affordability and delivering for customers. 30% will remain on financials.
- Reducing the overall maximum long-term incentive opportunities by 50%, and therefore the amount that executives can earn in their variable pay by replacing our Long-Term Incentive Scheme with restricted stock options with a focus on the long-term health of the business.

South West Water's regulatory dividend strategy

Our dividend policy is aligned with Ofwat's principles and the licence. Dividends will be calculated to take account of delivery of the plan with the overarching principles that the dividend will:

- Not impair the ability of the Company to finance the appointed business
- Take account of service delivery for customers and the environment over time
- Reward efficiency and the effective management of risks to the appointed business
- Be transparent.

The dividend policy for 2025-2030 will continue to focus on three components:

- **Base dividends** – assumed to be a 2% yield on regulatory equity, being at the lower end of Ofwats suggested range of 2-4% yield
- **Performance dividends** – adjustments to the base dividend to reflect performance in the period, linked to overall RORE outturns and therefore is a holistic view of performance encompassing outcomes for both customers and the environment
- **Other dividends** – payments designed to ensure key financial ratios are optimised, including gearing.

The 2% base yield, paid from South West Water to its parent company, Pennon, is in line with Ofwat's suggested range over K8. This acknowledges that a proportion of the return to investors will come through the higher rate of RCV growth in the future, whilst appropriately balancing risk and return. The absolute level of the base dividend will be broadly in line with PR19 reflecting the higher regulatory equity driven by the elevated investment levels.

Our 2025-2030 Business Plan is financeable, with key financial metrics met on a notional and actual basis.

We have considered the key financial ratios and financeability, balanced with customer affordability. Key financial ratios used are those consistent with rating agency requirements, as well as those which are tested within our existing debt market instruments.

The table below shows key financial credit metrics.

Actual funding structure	2025-30[11]
Gearing (Net debt/RCV)	63.3%
Adjusted cash interest cover (per Ofwat measure)	>1.5
FFO/net debt (per Ofwat measure)	>10%

Credit rating

From 1 April 2025 South West Water will hold two credit ratings. These ratings will continue to support the business in issuing low cost funding as we seek to diversify our financing portfolio to support higher levels of investment in K8.

Funding and gearing

The financing of our business plan is derived from the ongoing efficient raising of funds including debt capital markets, coupled with revenues from customer bills. We have sought to strike the right balance between the affordability of customer bills and efficient gearing levels to ensure our balance sheet remains robust, to the benefit of all our stakeholders.

We expect South West Water Group's gearing to be around the upper end of our historical 55-65% range by 2030. The average gearing within our 2025-30 plan is 63.3%. Whilst this is above Ofwat's notional gearing, the Board believe this is an efficient level that provides financial resilience as well as flexibility.

RCV run-off rates

RCV run-off has decreased for this business plan, reflecting the nature and proportions of expenditure on shorter life assets. We have assessed our existing asset base and future additions. The run-off rates we are using are consistent with the condition and performance of the asset base and the planned maintenance programme.

RCV run-off	2026	2027	2028	2029	2030
Water	4.6%	4.6%	4.5%	4.4%	4.4%
Wastewater	5.3%	5.2%	5.0%	4.9%	4.8%

Pay-As-You-Go (PAYG)

The ratio on average over the period is 39.3%, lower than 2020-25 due to the increase in the scale of the investment programme compared to the modest increase in operational expenditure.

PAYG	2026	2027	2028	2029	2030
Water	48%	48%	48%	48%	50%
Wastewater	35%	30%	27%	29%	30%

The plan uses RCV run-off rates and PAYG ratios which align with how costs in our plan would naturally fall, as we have not needed to adjust these rates for financeability purposes.

Cost of capital

We have used Ofwat's assessment of the cost of capital in our business plan. However, since Ofwat published its view on the cost of capital in December 2022, market yields have continued to increase.

Using the same fundamental cost of capital calculation methodology but updating for market conditions we have represented an alternative scenario that we believe is reflective of current conditions. This results in an overall increase in the WACC from 3.29% to 3.68%.

Further to this, taking into account an updated assessment of the split of new and embedded debt (increasing to 34%) would indicate a WACC of 3.74%.

The financial analysis of our plan has been presented in this investor summary on Ofwat's initial view of WACC.

11 Average over the period 2025-2030.

Striking the right balance

As a responsible business we have ensured that we have struck the **right balance between financial resilience and fair, affordable bills** for customers.

Whilst our plan represents a doubling of our investment in the region, the majority of customers will be paying the same for their water services at the end of 2030 as they did in 2020, yet with vastly improved services. Our plan includes our largest package of affordability measures to date, equating to over £200m, which will ensure we are able to support all customers through a range of initiatives.

Progressive charging, combined with our extensive affordability toolkit, means that everyone pays their fair share and that no customers will be in water poverty.

Progressive charging

A key feature of our plan is tariff innovation – progressive charging, which means distributing bills more fairly across those who benefit from our services, whilst sending the right signals on efficient water use to help manage affordability. We will learn from pilots across our region to understand what works best, and what our customers want, for example:

Seasonal tariffs – discounting bills, to provide lower bills for average resident through lower winter rates, whilst rates in the summer – when demand peaks – increase, to incentivise efficient water use.

Rising block tariffs – testing whether these tariffs, supported by smart meters, can aid water efficiency and help customers feel their charges are fair.

Peak charging – looking at those periods when demand is high, and increasing water charges – similar to what we see in the energy sector – to incentivise customers to change the pattern of their demand, reduce peak demand and therefore minimise the need for future investment.

Partial occupancy – identifying homes and businesses that may not be occupied all year round, and that therefore may be reserving capacity on our network, without fully utilising and being charged for it. We will consider if the costs associated with these customers need to be reviewed, and how best to reflect fair charging for this unique aspect of our region.

Average household bill (£m)[12]	2025/26	2026/27	2027/28	2028/29	2029/30
Water					
South West Water[13]	227	224	252	253	254
Bournemouth Water	148	159	165	166	167
Bristol Water	219	227	234	237	242
Wastewater					
South West Water[13]	318	332	354	364	366

Allowed revenue by control (£ - outturn prices)	2025/26	2026/27	2027/28	2028/29	2029/30	2025-30
Water Resources – South West	41.6	43.3	45.0	47.8	51.6	**229.3**
Water Resources – Bristol	23.6	25.4	26.3	27.2	28.0	**130.5**
Water Network Plus – South West	293.1	312.4	327.2	340.0	349.6	**1,622.3**
Water Network Plus – Bristol	119.4	133.5	140.9	147.1	151.8	**692.7**
Water – total	**477.7**	**514.6**	**539.4**	**562.1**	**581.0**	**2,674.8**
Wastewater Network Plus	321.5	346.2	357.7	376.1	397.7	**1,799.2**
Bioresources	34.1	36.2	37.9	39.9	45.3	**193.4**
Wastewater – total	**355.6**	**382.4**	**395.6**	**416.0**	**443.0**	**1,992.6**
Residential Retail	60.2	61.6	63.4	65.5	67.8	**318.5**
Total allowed revenue	**893.5**	**958.7**	**998.6**	**1,043.4**	**1,091.8**	**4,985.9**

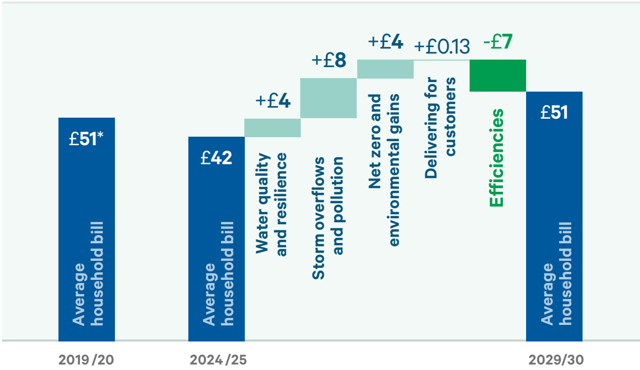
12 Real, 2022/23 prices.

13 All figures are calculated on a basis excluding the £50 Government Contribution issued to South West Water customers on an annual basis directly from funding received from DEFRA.

South West Water

At £620 by 2030, the average bill for household customers living in our South West Water region represents a 22% increase in real terms (before inflation) from 2025. However, with continued reductions over the last three years, bills in 2029/30 will be the same in real terms as 2019/20.

2029/30 average household bill per month
South West Water

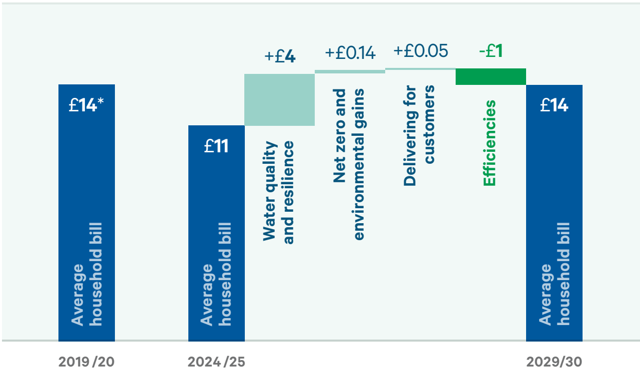


* *in today's prices*

Bournemouth Water

At £167 by 2030, the average bill for household customers living in our Bournemouth region represents a 22% increase in real terms from 2025. Whilst this is an increase from 2024/25, at £14 a month, the bill reflects the same bill in real terms, as in 2019/20.

2029/30 average household bill per month
Bournemouth Water

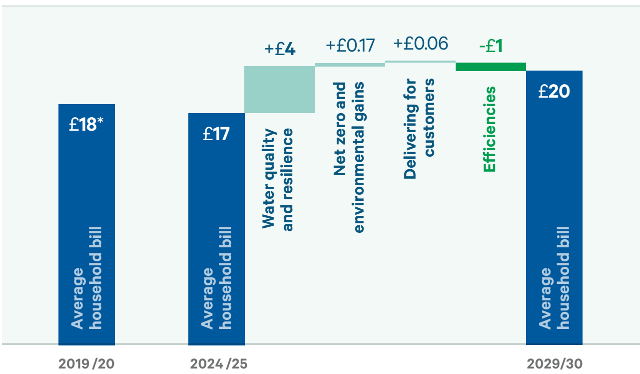


* *in today's prices*

Bristol Water

At £242 by 2030, the average bill for household customers living in our Bristol Water region represents a 18% increase in real terms from 2025. With prices reducing in real terms, the average bill increase since 2019/20 will be only £2 per month.

2029/30 average household bill per month
Bristol Water



* *in today's prices*

Outcome Delivery Incentives

By developing outcomes with customers over the last ten years, and reflecting what matters to them, it has allowed us to be very transparent and to be held to account on areas of performance which are most important to customers. In recognition of the revisions to the outcomes framework set by Ofwat, we have followed four principles governing the development of our outcomes.

Our ODIs reflect **what values most to our customers, environment and society**

Our outcomes framework is **underpinned by stretching, yet achievable performance commitment levels**

It is crucial that we deliver the right outcomes for customers, communities and the environment. The outcomes framework holds us to account for the outcomes our customers pay for, and incentivises us to go further where it will deliver value. We have adopted our approach to ODI rate setting and ODI protections to:

- Have the right balance of risk and return for an efficient, high performing company
- Provide Ofwat with a range of approaches to consider in calibrating plans in summer 2024.

At the heart of our plan is our goal to deliver a high quality, efficient and affordable service to our customers, focused on what matters most to them, meeting all our statutory obligations in the context of the unique natural environment in which we operate. Our long-term targets are consistent with the achievement of government targets and statutory requirements.

Our proposed framework achieves a +1.9 to -2.1% RORE range, consistent with Ofwat's methodology. This risk range has been achieved in tandem with the adoption of our preferred incentive rates and our ODI protection, and is based on:

- Extensive customer and stakeholder engagement and research – including our robust ODI top down RORE allocation research, developed with third party support
- Our 'what base buys' analysis approach that informed our base target setting, alongside our ODI P10 and P90 incentive levels
- Detailed incentive design to provide symmetrical incentive ranges with an appropriate level of risk.

Find out more here

Risk and return

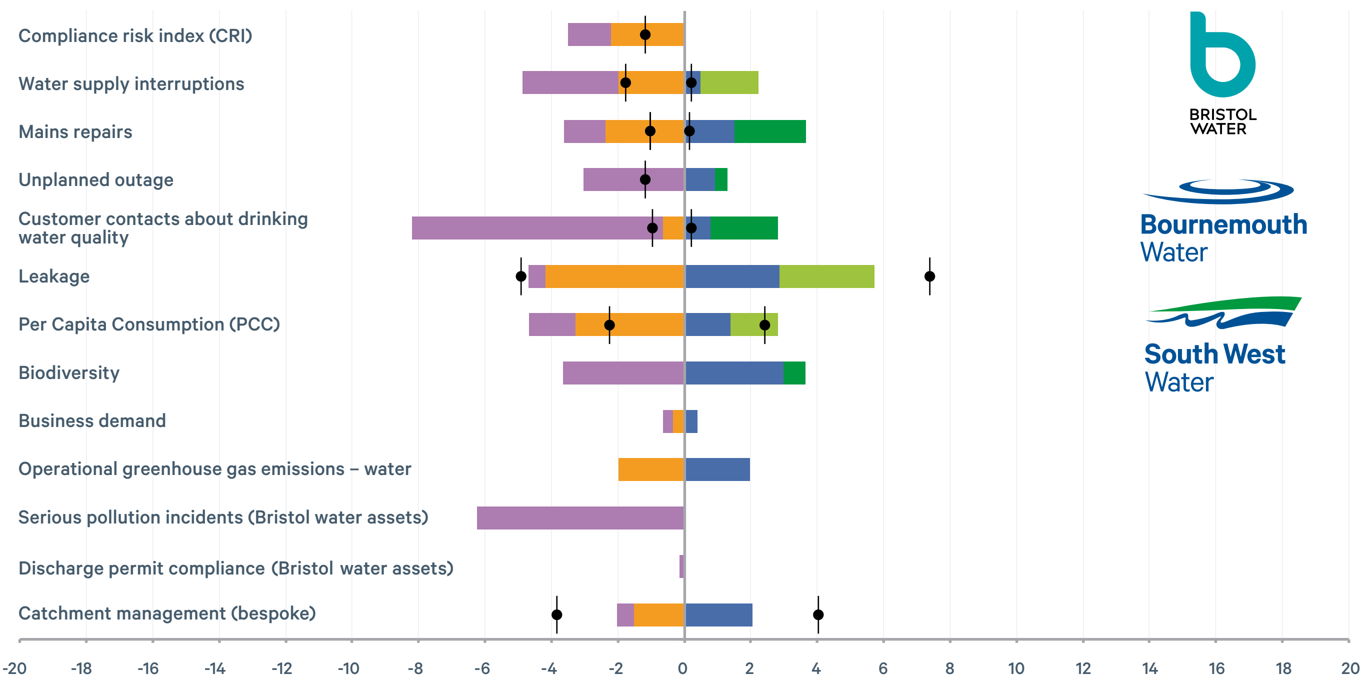
Balancing risk and reward

Overview of the potential impact on customer bills

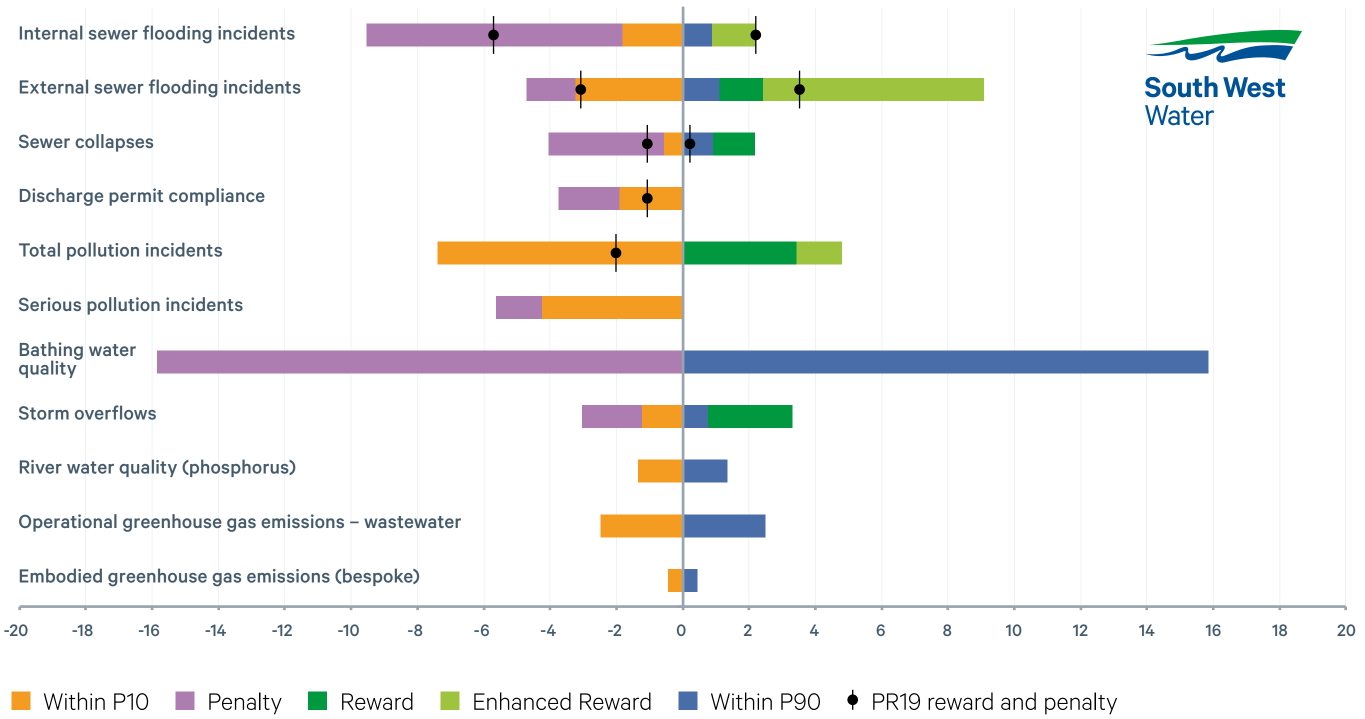
The overall incentive range of incentives for the five year period included in our plan to 2030 is from an outperformance payment of £165m (£166m at PR19) to an underperformance payment of -£180m (-£249m at PR19), excluding the potential impact of customer measures (C-Mex, D-Mex and BR-Mex).

In terms of RORE, this equates to a maximum range of +1.9% per annum for outperformance payments to -2.1% p.a. for underperformance payments excluding the potential impact of customer measures (+2.2% to -2.6% at PR19). The ODI performance below is based on an annual range.

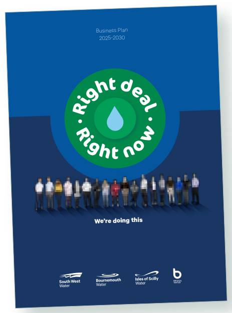
Water



Wastewater



Find out
more here



Business Plan 2025-2030

Our ODI framework is **aligned with our key priority areas**

- **Water quality and resilience**
- **Storm overflows and pollutions**
- **Net zero and environmental gains**
- **Addressing affordability and delivering for customers**

Delivering improved outcomes for customers, communities and the environment

At the heart of our plan is our goal to deliver a high quality, efficient and affordable service to our customers, focused on what matters most to them, meeting all our statutory obligations in the context of the unique natural environment in which we operate.

Our long-term targets are consistent with the achievement of government and regulatory targets and statutory requirements.

Our extensive customer research and engagement programme ensures that our performance commitments are:

- Consistent with the interests of our consumers – today and in the longer term
- Based on results from cost benefit
- We are targeting ambitious performance levels across key areas of our business. We aim to be sector leading in the areas where customers value the service most, such as on internal sewer flooding.

We are targeting ambitious performance levels by 2030, including:

Internal sewer flooding - continued sector leading performance to deliver the fewest instances of internal sewer flooding.

Our operational improvement plans will extend the length of sewers we clean, which will deliver multiple benefits including reducing internal and external flooding as well as reducing blockages, pollutions and, with the additional CCTV activities associated with this work also helping identify sewers at risk of collapse.

We have been rolling out an increasing number of sewer depth monitors throughout our network (20,000 by the end of AMP7) and through our approach to proactive control, installing tools to pre-empt the risk of a spill from our networks. Work on the development of these and focus on control systems along with further improvements to our alarm estate will support the continued approach to early warning and prevention of impact from spills from our network that can result in internal flooding.

Reducing storm overflows from an average of 20 to 17.5 by 2030 (per asset per year).

Our focus will be in the areas most important to customers by addressing storm overflows at all bathing waters, along with high spilling sites across our region.

During AMP8 we will invest in improvements to 275 of our storm overflows as well as tackling a number of the root cause issues that impact storm overflows, for example by: separating surface water from our sewage network and creating sustainable urban drainage solutions, adding significant additional storage to our network, increasing capacity at 3 sewage treatment works, upgrading 29 of our wastewater treatment works for nutrients and investing in 715km of our sewer network. Our approach is to tackle issues where possible using a variety of 'green' solutions.

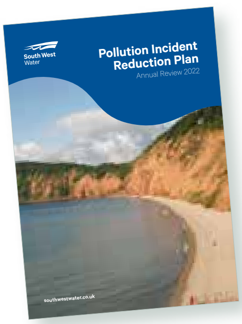
In addition to the investment listed, our operational improvement plans continue the actions we have commenced in AMP7 that improve the overall operation of our wastewater system. The activities we undertake from influencing customers regarding sewer misuse, through the activities we undertake to clean and maintain our sewers (including all the ancillary equipment such as air valves and hydrobreaks), maintenance of all our pumping stations and equipment, through the work we are carrying out to monitor and provide early warning of issues, to the maintenance we are carrying out at our works all support delivery of a reduction in the number of spills from our storm overflows.

Pollution incidents – reducing to industry leading low levels.

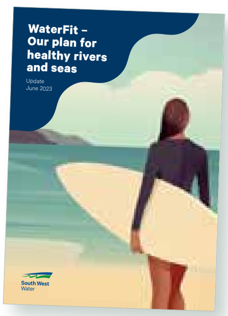
Our asset investment plans target the highest risk areas, both from the perspective of propensity to pollute but also target areas that will have the highest impact. By targeting the latter of these we will ensure we focus on reducing the risk of serious pollution. The current delivery of our Pollution Incident Reduction Plan (PIRP) is delivering interventions at ‘hotspots’ for both asset and operational interventions. We will continue this approach into K8, continually removing the highest risk assets, catchments, and areas from their potential to pollute.

Our operational response – particularly around our speed of response, through early warning, field team deployment, extent of available response activities (tankers/vactors/resource/pumps/generators) has significantly increased during K7 and we will continue to review and increase these areas in K8. Through this approach we will reduce the impact from all pollutions, as well as specifically aiming to ensure no serious pollutions occur.

Find out more here



Pollution Incident Reduction Plan



WaterFit – our plan for healthy rivers and seas

Further leakage improvements - including a 19% reduction in leakage levels in the South West region and a further 14% reduction in leakage levels in Bristol (compared to levels in 2019/20).

We will continue to use a range of techniques to detect leaks and we will continue to deploy innovative tools and processes to both find and fix leaks – including the use of satellites, drones and leak detection dogs which have now become part our approach where more traditional techniques are less impactful. Our asset renewal programme targets both mains and communication pipes.

We will continue to optimise existing pressure control valves, with digital time and flow control profilers and to install new pressure reducing valves on our networks allowing us to actively control and manage local pressure. Our plans include the installation of Aqua Advanced/Optimatics energy tools which are targeting better management of power consumption from our water pumping stations and will support delivering lower pressure and reduced leakage within our network – this is part of our ‘calm networks’ programme of work which we are currently trialling.

Bathing water quality – delivering improvements at bathing and shellfish waters across the region, to maintain our 100% bathing water performance.

We will deliver this target through compliance at our treatment works and pumping stations, and by ensuring our networks are managed in a way that reduces pollutions. Across all areas of our operations, we reduce the number of discharges from our storm overflows. Our Upstream Thinking programmes, our biodiversity strategies and our stewardship of environmental impact has positive benefit on the quality of rivers and ultimately the seas in our region.

We will continue to work closely with beach managers in K8 to support and promote the quality of bathing waters in our regions. Through WaterFit live we will continue to provide information and updates to our communities and visitors to the area regarding the quality of bathing water in our area.

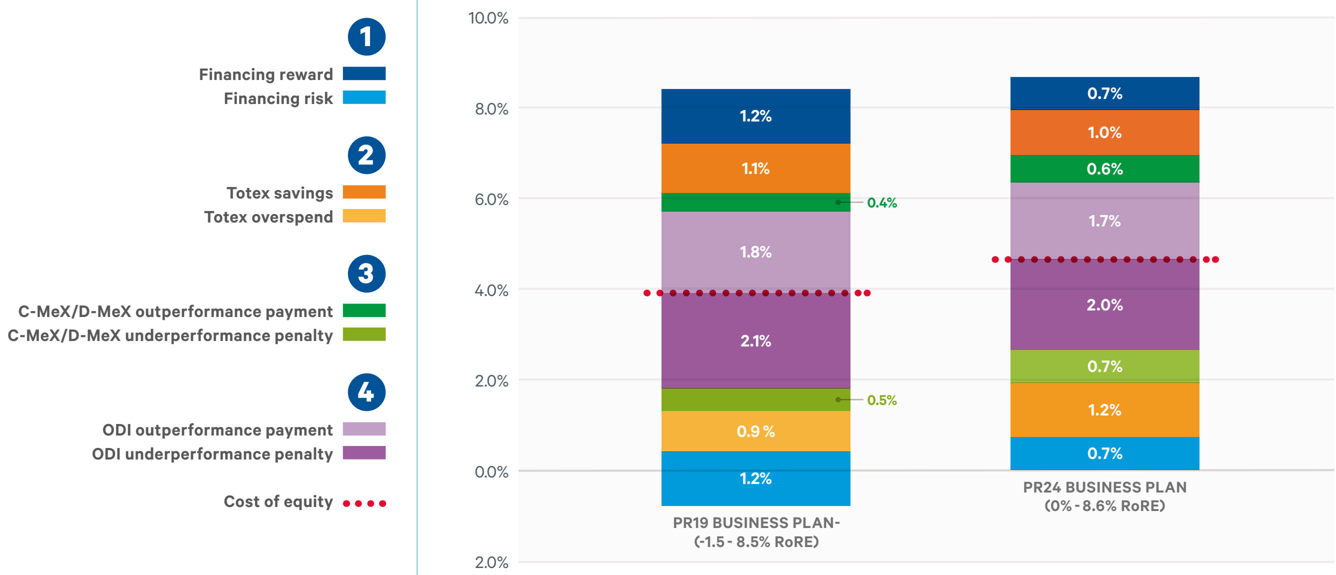
Return on Regulated Equity

Fair returns for investors

The RORE for our plan is based on an assessment of the range of outturn levels of performance we can expect to see. For assessment purposes, the high and low probability events (P90 and P10) have been excluded. The estimates are in turn based on a forward-looking assessment of the risk to performance from natural variations in external factors (e.g. weather, third-party damage, etc) overlaid with an assessment of where we believe we can target further cost efficiencies and improve performance further, economically and efficiently.

We are deviating from Ofwat's calibrated values to ensure we have an incentive framework that is consistent with our derived customer willingness to pay and stretch delivery targets. We have balanced the needs of our customers and investors so that investors are not rewarded solely on the basis of the allowed cost of capital, but also have the opportunity to earn additional outperformance payments through us being more efficient or by delivering a higher level of performance where this is valued by customers. Equally, underperformance penalties will affect returns.

Overall the RORE range for our 2025-30 business plan is 0.0%-8.6%.



1. Financing risk for a notionally geared company at the Ofwat cost of debt is estimated at a range of –0.7% risk and +0.7% opportunity within the RORE range.

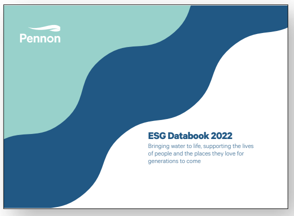
2. Totex impacts consider both individual cost risks and opportunities and reflects our experience of delivery in this area.

3. Customer measures underperformance penalties and outperformance payment ranges from a +/- £17m on average per annum. This equates to a RORE range of –0.7% to +0.6%.

4. ODIs provide for additional returns for improvements in service levels beyond our central plan and industry norms. Based on our P10/P90 scenarios, this amounts to a potential -£48m to +£41m per annum, giving a RORE range of –2.0% to +1.7%.

For consistency, the RORE range for PR19 shown is for South West Water. Bristol Water's CMA RORE was –1.7% to +7.9% with a cost of equity of 4.5%.

Environmental, Social, and Governance



WaterShare+

Acting responsibly, for the benefit of all our stakeholders

- Strong governance, led by an experienced Board, influencing decision making to ensure we focus on doing the right things, in the right way
- Passionate about creating a diverse and inclusive place to thrive – proud to be a signatory to the change the race ratio, and promoting gender diversity at all levels. Investing in the next generation through embracing an earn and learn culture – Gold member of 'The 5% Club', doubling our apprenticeship and graduate schemes to 1,000 by 2030, along with offering 5,000 work placements
- Committed to delivering 'Our Promise to the Planet', achieving net zero carbon emissions by 2030 – strong progress to date including acceleration of our self-generation 50% target
- Investing more than ever in environmental improvements to 2030 across the Group – building on strong performance in water, and well progressed improvement plans in wastewater
- Changing the nature of our relationship with customers through WaterShare+

Next steps

We're proud of the plan we have submitted, we believe it demonstrates how we can deliver for all of our stakeholders, both now as well as setting strong foundations for the long term.

5 October 2023
Trading Statement PR24 Spotlight presentation

29 November 2023
Half year results 2023/24

21 May 2024
Full year results 2023/24

Spring 2024
Ofwat publish draft determinations

27 November 2024
Half year results 2024/25

December 2024
Ofwat publish Final Determinations

May 2025
Full year results 2024/25
Announcement of Pennon Group plc 2025-2030 dividend policy

Appendix

Inflation assumptions

Year on year (%)	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
RPI November	7.7%	4.1%					
RPI Financial year average	8.7%	4.3%					
RPI March	7.0%	4.1%					
CPIH November	4.7%	2.6%	1.9%	2.1%	2.0%	2.0%	2.0%
CPIH Financial year average	5.9%	2.6%	2.0%	2.0%	2.0%	2.0%	2.0%
CPIH March	4.5%	2.6%	2.0%	2.0%	2.1%	2.0%	2.0%

RCV legacy adjustments

£m – nominal	
Closing RCV - 31 March 2025	**4,784.5**
RPI-CPIH wedge	120.3
Green Recovery	109.0
Accelerated Infrastructure Delivery (AID)	63.5
Totex	89.9
Totex – adjusted from revenue	132.4
PR14 blind year	56.9
ODI	22.5
IFRS 16	27.9
Other	(4.1)
Opening RCV – 1 April 2025	**5,402.8**

RPI – CPIH wedge: This adjustment reflects the anticipated difference between the actual wedge between RPI and CPIH over K7 and the 1% per annum assumed in Ofwat's methodology.

Green Recovery: reflects our £82m Green Recovery investment programme agreed during K7 and inflated to 1 April 2025.

Accelerated delivery: reflects our £52m AID programme agreed during K7 and inflated to 1 April 2025.

Totex: reflects the 50% share of expected adjustment for spend above PR19 allowances. This includes the impact of higher inflation driven by costs such as power, chemicals and construction costs. Adjustments proposed to Ofwat applied to RCV instead of revenue, recognising the affordability pressures for PR24 on customer bills.

PR14 blind year: reflects final true-ups to PR14 established post the PR19 final determination.

ODI: reflects outperformance achieved through K7 that is rewarded through RCV as opposed to in period.

IFRS 16: Adjustment to RCV recognising the omission of data not included by Ofwat in South West Water's FD for K7.

Other: includes other regulatory true-up mechanisms including tax and wage inflation.

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Notes

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South West Water Limited
Peninsula House, Rydon Lane, Exeter EX2 7HR
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