

# OFWAT PUBLISHES PR24 FINAL DETERMINATIONS

## 1. Introduction

- 1.1 On 19 December 2024, Ofwat published its Final Determinations under Price Review 2024 (PR24).
- 1.2 The Final Determinations follow Ofwat's [Draft Determinations](#), published on 11 July 2024, and will govern prices in the water sector between 2025 and 2030.
- 1.3 The Final Determinations have significantly increased funding for base expenditure and investment compared to the proposals in July. This follows Ofwat's [signal](#) in October that the water sector had called for higher expenditure allowances during its consultation on the Draft Determinations.

## 2. Ofwat's Final Determinations

### 2.1 Ofwat's final determinations include:

- (a) A significant increase in funding for expenditure, with a total spending allowance of £104bn. This £60bn of base expenditure and £44bn of enhancement expenditure represents an 18% increase on the £88bn proposed in the Draft Determinations, although still a 7% reduction compared to the total amounts requested by water companies in their submissions. The £44bn allowed for enhancement infrastructure represents a quadrupling of previous levels and is seen by Ofwat as part of a "step change" to improve services to customers and to the environment.
- (b) An increase in the WACC to 4.03%, from 3.72% proposed in the Draft Determinations. The increase compared with the Draft Determinations reflects changes in market data as well as some changes to methodology.

- (c) A corresponding increase in customer bills, by an average of £31 per year (a weighted average of £157 in total), before inflation, over 2025-2030. This is £12 higher per year than the proposed amount in Ofwat's Draft Determinations and reflects both the increases in investment and financing costs described above as well as higher day to day allowances to reflect increases in ongoing costs such as energy.
- (d) As foreshadowed in the Draft Determinations, a new approach to ring-fencing of investment funding, with a claw back mechanism to ensure that money not spent on investment is returned to customers.
- (e) As foreshadowed in the Draft Determinations, the use of a delivery mechanism in respect of certain expenditure allowances for Southern Water and Thames Water, meaning that there is a contingent budget that will not be approved until Ofwat has greater clarity on the timing and profile of these companies' plans. If triggered, this would increase average 2029-2030 customer bills by a further £20 and £11 for each utility respectively (as compared with the £16 and £5 increases signalled in the Draft Determinations).

## 3. Next steps

- 3.1 The price controls specified in the Final Determinations will come into effect on 1 April 2025.
- 3.2 As noted in our briefing on Ofwat's [Draft Determinations](#), water companies have the option to require Ofwat to refer its Final Determination to the Competition and Markets Authority (CMA). This must be done by 18 February 2025 (i.e. within

two months of the publication of the Final Determinations).

- 3.3 There is no fixed deadline for Ofwat to make the referral to the CMA but once it is made the CMA can be given up to 6 months to conduct the redetermination. This is extendable by up to 6 months if there are “special reasons” why the report cannot be completed in the standard period (e.g., at PR19 there was a full 6-month extension reflecting both the fact that the CMA was considering four appeals simultaneously and the impact of the Covid-19 pandemic).
- 3.4 The CMA’s role in water appeals is to undertake a redetermination of the decision as a whole by reference to the principles that applied to the original decision (so, e.g. taking into account Ofwat’s statutory duties under the Water Industry Act 1991). In practice however, the relevant time limits mean that the CMA must prioritise the areas that it reviews and will focus on areas which would have the largest effect on customer outcomes and on the disputing companies. Parties

seeking a redetermination must focus on key priorities accordingly.

- 3.5 The CMA on 10 December [published](#) its new rules and accompanying guidance setting out the procedure for water references. These set out in some detail the approach that the CMA intends to take to considering any applications by reference to an “overriding objective” of enabling the CMA to dispose of redeterminations “fairly, efficiently and at proportionate cost within the time periods prescribed in the Act”.<sup>1</sup> This guidance indicates that, in the event that the CMA receives a reference for a redetermination, the CMA will publish an administrative timetable that will set out the key stages of the process. This may include arrangements for case management conferences, submissions from parties and third parties, hearings, and a provisional and final determination by the CMA. In the event that there are multiple appeals the CMA has a discretion in how it handles these which may include for example, use of joint submissions or joint hearings where there are common issues raised.

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<sup>1</sup> CMA204, Water References: Competition and Markets Authority Rules, 10 December 2024, paragraph 4.1.