

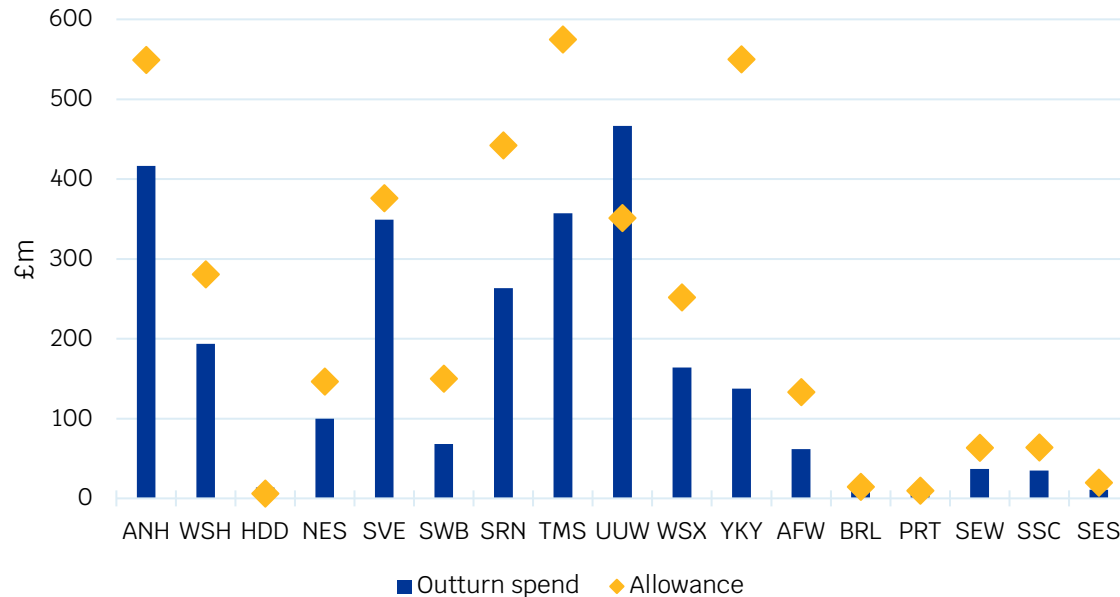
Enhancement expenditure during 2020-22

December 2022



Enhancement expenditure during 2020–22 period

Cumulative enhancement expenditure – wholesale water and wastewater (2020–22 period)



Expenditure in **water activities** accounted for 56% of total enhancement expenditure during 2020–22 period. Main areas of spend were resilience to ‘low probability high consequence’ events, internal interconnectors for drought resilience, and expenditure in meeting lead standards.

Expenditure in **wastewater activities** accounted for 44% of total enhancement expenditure during the same period. Main areas of spend were phosphorus removal, schemes to increase flow to full treatment, schemes to increase storm tank capacity and storage schemes to reduce spill frequency.

During the 2020–2022 period companies generally underspent their forecast cost allowance on wholesale water and wastewater enhancement activities. At a sector level, water and wastewater companies **spent 68% of their forecast enhancement cost allowance**. Out of the 17 water and wastewater companies in England and Wales, 15 companies underspent their allowance. Of these companies, three companies spent less than 50% of their allowance, with **Yorkshire Water, South West Water and Affinity Water** spending 25%, 46% and 47% of their allowance, respectively.

Companies cited several factors causing delays in their programme delivery, including:

- Covid-19 impacts, such as restricted access to customer premises and slower stakeholder engagement; and
- Supply-chain issues related to Brexit and post Covid-19 recovery which, according to companies, have constrained the availability of key resources.

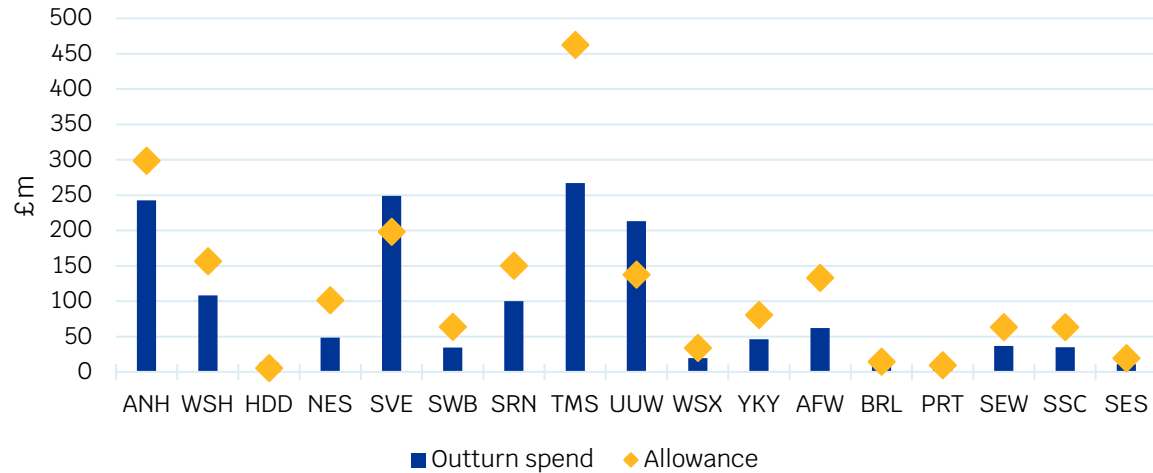
Companies suggested that they will step up investment in the remainder of the price control period and that their enhancement programme is on track for completion by the end of this period.

Customers have provided water companies with funding to deliver service improvements. We expect water companies to get their enhancement programmes back on track and deliver the funded improvements. Delaying the delivery of these improvements will result in forgone benefits to customers and the environment. Where we approved green recovery schemes, we expect companies to quicken progress on the delivery of these schemes to ensure that customers and the environment benefit from the accelerated investment. We will continue to monitor each company’s progress.



Enhancement expenditure during 2020-22 period

Cumulative enhancement expenditure – wholesale water

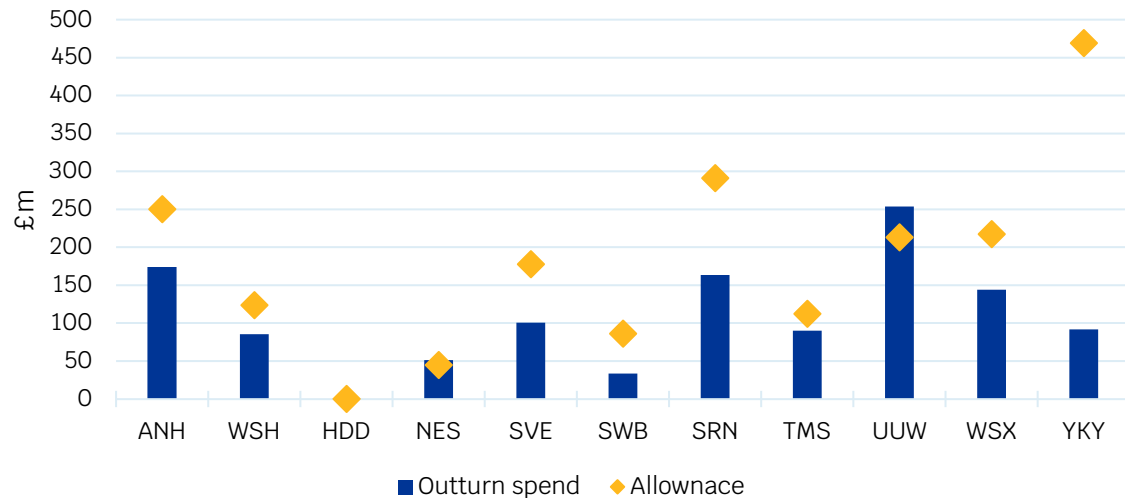


Cumulative enhancement expenditure – wholesale water (2020-22 period)

14 companies underspent their **water enhancement** forecast cost allowance during 2020-22 period. Of these companies, two companies spent less than 50% of their allowance, with **Affinity Water** and **Northumbrian Water** spending 47% and 48% of their allowance, respectively.

The main areas of underspend are supply side improvements delivering drought resilience (supply-demand balance) benefits and water industry national environment programme (WINEP) related expenditure on invasive non-native species, drinking water protected areas and Water Framework Directive metrics. We expect companies to deliver the service improvements they were funded to deliver across all expenditure areas. This is particularly important in the context of current challenges such as ensuring resilience to drought. Given the drought conditions this year we are particularly concerned that water companies are currently underspending on areas that will improve the long-term reliability of their water service.

Cumulative enhancement expenditure – wholesale wastewater



Cumulative enhancement expenditure – wholesale wastewater (2020-22 period)

Eight companies underspent their **wastewater enhancement** forecast cost allowance during the 2020-22 period. Of these companies, two companies spent less than 50% of their allowance, with **Yorkshire Water** and **South West Water** spending 20% and 39% of their allowance, respectively.

The main areas of underspend are resilience to ‘low probability high consequence’ events and WINEP related expenditure on schemes to increase flow to full treatment, storm tank capacity, reduce spill frequency and phosphorus removal. We expect companies to deliver the service improvements they were funded to deliver across all expenditure areas. This is particularly important in the context of current challenges such as reducing sewer flooding, storm overflows and pollution events. It is critical that water companies improve their sewerage network to make it more resilient to hazards and improve river water quality.

Where we find companies are failing to comply with their obligations, we will take action.



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