

# Our PR24 draft methodology – presentation to CECA

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# Challenges and ambitions



# Government long-term targets

**Net zero** by 2050, UK government 78% cut by 2035, Welsh Government 89% cut by 2040

**Leakage** – 50% reduction by 2050

**Per capita consumption** – 110/l/h/d by 2050

**Overall water demand** – 20% reduction in distribution input per head of population by 2037-38

**Increased drought resilience** (through the WRMP guidance).

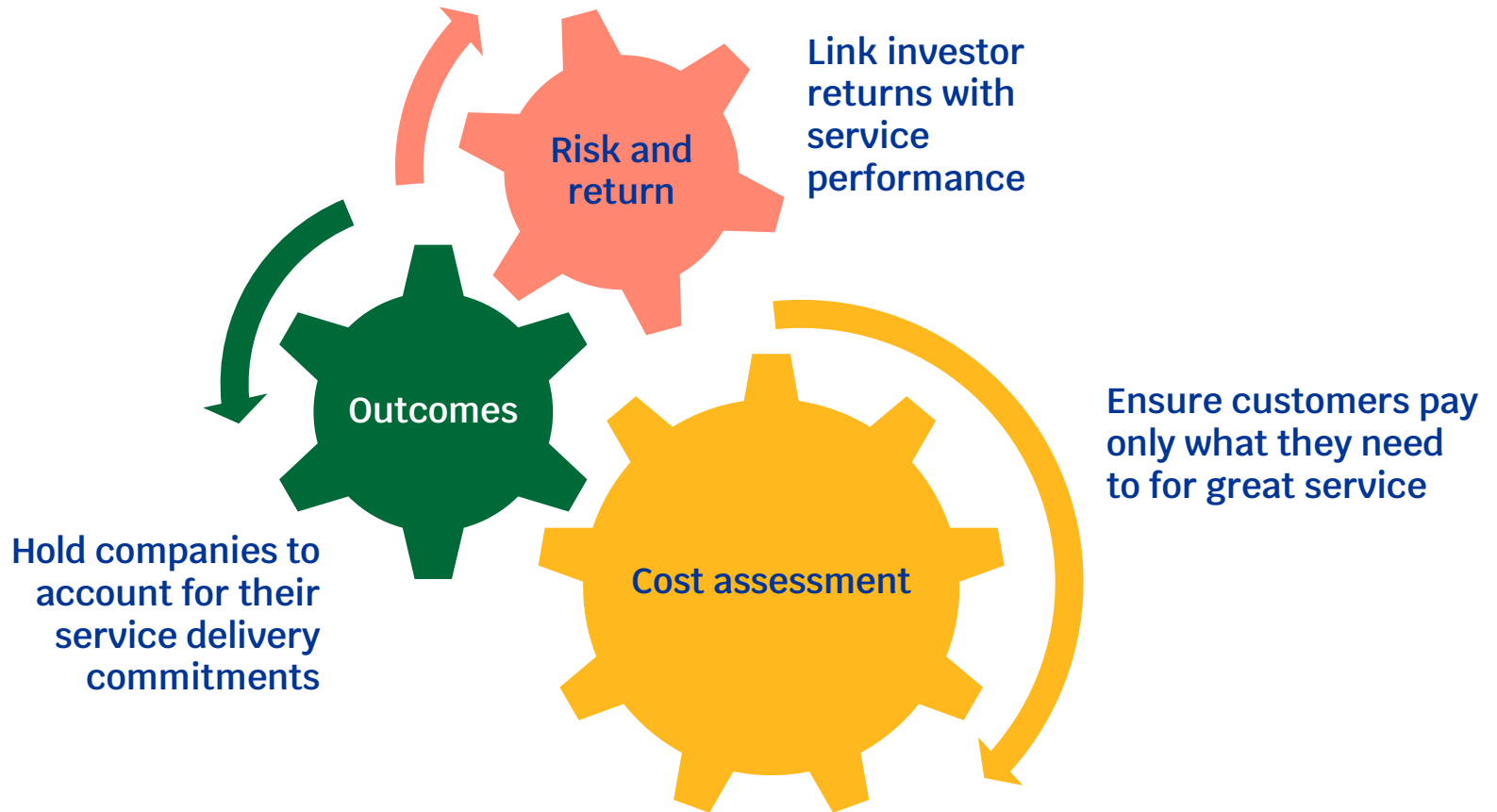
**Phosphorus** – reduce phosphorus from treated wastewater by 80% by 2037 against a 2020 baseline (50% by 2027)

**Storm overflows** – remove environmental harm at 75% of high priority sites by 2035 and all sites by 2050 (and no more than 10 spills by 2050)



# Overall framework for PR24

We will retain the overall framework of five-year price controls at PR24, with three key and interlinked workstreams: **outcomes, cost assessment and risk and return**

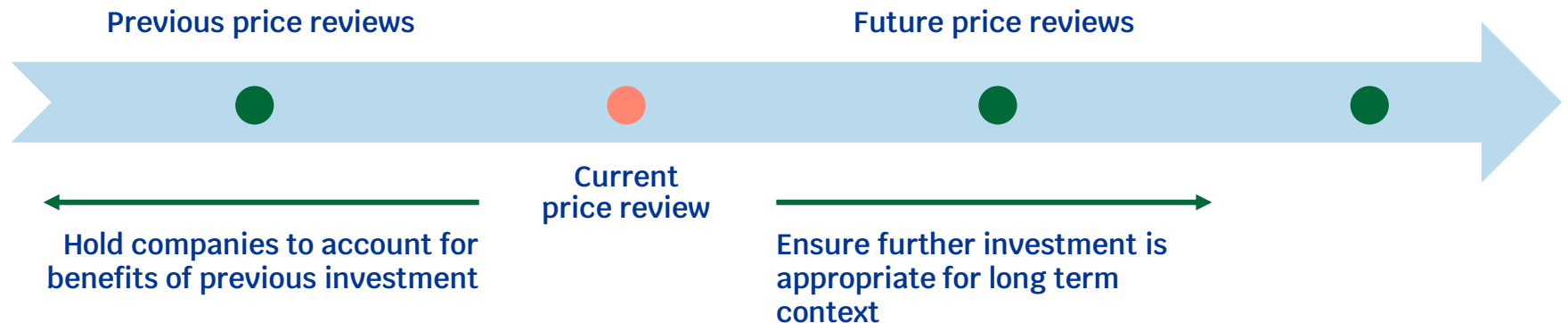


# Long-term delivery strategies

To increase focus on the long term, we are asking all companies to present their five-year business plans in the context of a **25-year delivery strategy for meeting long-term outcomes**

Long-term delivery strategies will set out the **long-term outcomes** the company aims to deliver, and the **key enhancement investments** that form the best pathways to achieving them, given future uncertainties

The aim of the price review would then be to establish **the most appropriate five-year package of interventions to kick off the 25-year trajectory**



# Proposals to facilitate efficient investment

Maintain **transition funding** which allows companies to bring forward PR24 spending to 2024-25. Looking at expanding the scope to cover expenditure in 2023-24 for schemes included in final WINEP

**Direct procurement by default** for all schemes above lifetime totex of £200 million

Greater clarity on the treatment of **multi-period funding** for schemes which cross price controls so that it is clear on what is funded and delivered in each period

We propose to allow enhancement funding in cases where **preparatory work** is essential to start work on schemes even where there is still uncertainty of need

Continued funding of the **development of strategic water resource options**

Continue with the **innovation fund**



# Key challenges for the supply chain

**Significant increase in enhancement spending** – PR19 ~£10bn

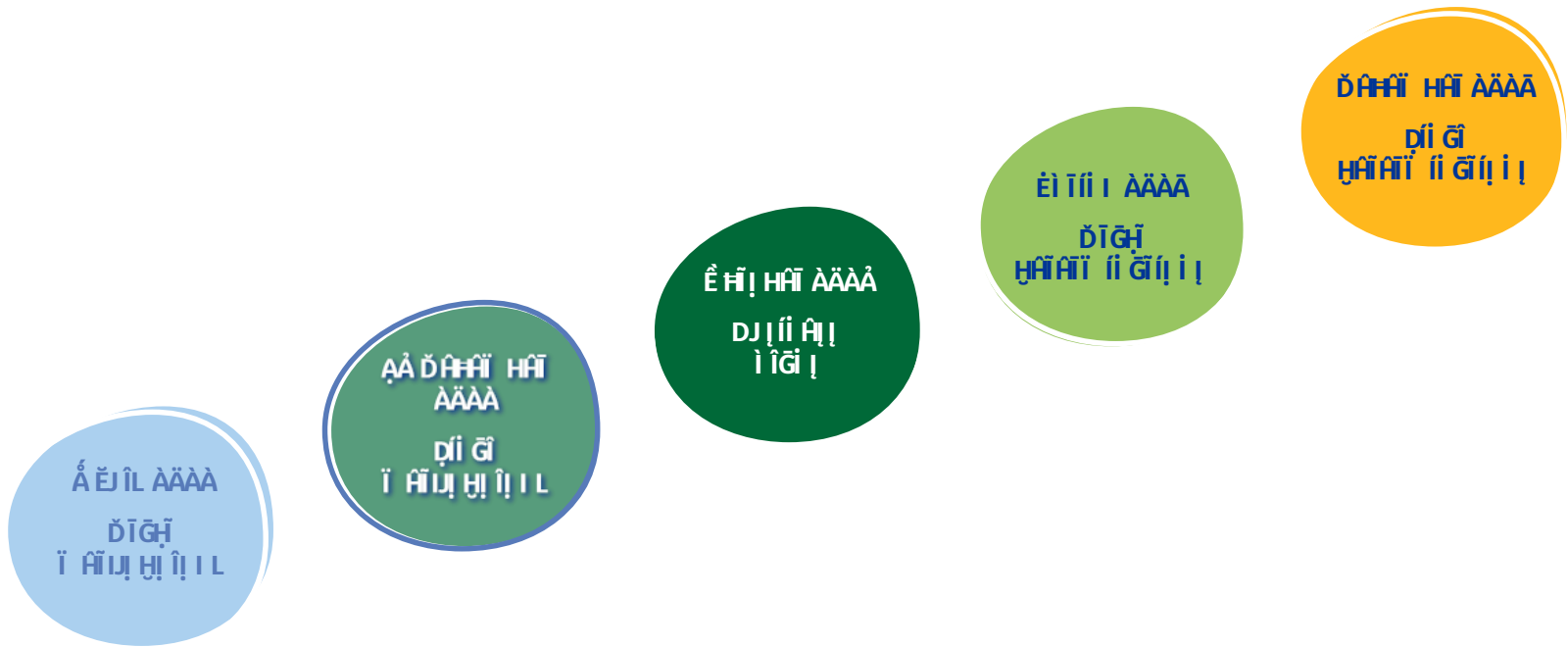
**Move to greater nature based solutions** – will require different skills

**Increased use of technology** – expansion of monitors, smart meters, smart networks

**Greater need for innovation** – to be able to deliver long term targets quickly and efficiently



# Next steps in the price review





# Thank you and questions

