



**South Staffs Water**

Green Lane, Walsall WS2 7PD  
www.south-staffs-water.co.uk

Chris Walters  
Senior Director for the Price Review  
Ofwat  
Centre City Tower  
7 Hill Street  
Birmingham  
B5 4UA

By email to: [chris.walters@ofwat.gov.uk](mailto:chris.walters@ofwat.gov.uk)

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Dear Chris

**Re: Delivering more for customers and the environment – South Staffs Water & Cambridge Water**

Thank you for your letter of 18 March requesting further information regarding our plans to use the additional totex allowance above that requested in our representations on Ofwat's Draft Determination.

We are proud of the ambition included in our PR24 submission for AMP8 and we always strive to go above and beyond to deliver the high-quality services for our customers, stakeholders and our environment.

When we accepted the Final Determination in February, it was based on an in the round assessment. As part of this we considered whether the allowed return on equity could be achieved and whether our financial metrics were supportable, given credit rating agencies had recently tightened their assessment, requiring stronger ratios to maintain the same target credit rating.

In addition to areas of service enhancement set out in this letter, the additional allowance will be required to fund specific cost increases which emerged after the submission of our Draft Determination. We received our 2026 draft Business Rates assessment from the Valuation Office in February which is more than double our current level. This will cost an additional £16m over the five years, assuming there is no further increase in 2029. Although there is a true-up mechanism of 90%, this will not be applied until 2030 and means that both our cashflows and financial metrics will be impacted.

We will also incur additional costs as a result of an unfunded increase in both employer national insurance and living wage announced in HMT budget last autumn. We estimate that this will cost an additional £6m over the period.

That said there are a number of areas where we are pleased to be going further than our original PR24 ambition. We remain passionate about the delivery of our metering programme and welcome the levels of funding made available to us, allowing us to enhance and future-proof the technology from AMR to AMI. Our metering programme is a key enabler in protecting the environment, supporting us in water efficiency and in leakage and consumption reduction. It will provide us with an ideal opportunity to directly reach a large part of our customer base; we hope our effective delivery of this programme will support with enhancing our customers' trust in the sector. It is important to us that we manage this process for all customers and are considering how we can even more actively support vulnerable customers through the meter transition, e.g. with water saving advice, building on our existing commitment with a strong social tariff.

We are also developing plans to invest further in our retail services digital offering, to ensure that we deliver on our customer priorities, improve our service experience and enhance our support for those who most need it. This will underpin our commitment to improve the service we offer to our customers.

We are at an early stage of the five-year price control period and our intent is to continue looking at ways we may be able to go further, for example, on habitat improvement work for chalk streams. As the new price control period progresses, we will be in a better position to provide a further update on our progress.

In the meantime, we remain committed to our AMP8 plan and are excited to be delivering a step change in service for our customers and the environment.

As ever, to ensure we remain transparent with our customers and stakeholders we will share this response on our website.

Yours sincerely

**Elena Karpathakis**  
**Managing Director**  
**South Staffordshire Water PLC**