

Executive Summary

Our 2025–30 AMP8 Business Plan proposes investment of more than £8 billion over five years to improve services and includes £3.3 billion of environmental projects. This will see us limit our impact on local rivers by reducing the amount of water we take from them, build new long-term water sources, like reservoirs and water recycling plants, and upgrade our wastewater treatment sites so they are more reliable and can better support future population growth and improve water quality in 1,000km of our rivers. At the same time, we plan to significantly reduce storm overflows at almost 300 locations along our rivers and coastline.

This investment in AMP8 represents a significant step-change from AMP7, therefore Ofwat has introduced the requirement for companies to submit a 'Delivery Plan'. The Delivery Plan includes this commentary and a series of accompanying data tables comprising of a 'baseline' of expenditure, Price Control Deliverable (PCD) outputs / benefits and milestones covering the majority of the enhancement investment programme and some of our base investment plan. This will be used by Ofwat and other stakeholders to enable them to monitor and track progress against the key outputs we plan to deliver.

AMP8 represents a step change in investment across the water sector in England and Wales and creates material deliverability challenges for all companies. In close collaboration with Ofwat we have been developing a detailed Delivery Action Plan (DAP) for the purpose of demonstrating the work we have done to develop sufficient capability and capacity to deliver our extensive capital programme throughout AMP8.

High-level risks

Our Delivery Plan is subject to a range of risks that will influence our strategic approach to delivery. We have identified and summarised the three primary delivery risks to our Delivery Plan alongside corresponding mitigations. The below list of issues is not exhaustive and further foreseen, material delivery risks are disclosed across specific programmes later in this document:

Risks and description	Mitigations
<i>Step up in scale and complexity of our investment programme</i>	
<p>Delivery risks are driven by the following factors:</p> <ul style="list-style-type: none"> Our PR24 enhancement programme is over five times the AMP7 allowance and is larger than our cost allowance for our base costs – we are the only company where that is the case in PR24. We are in a unique position of having both a major water supply/demand programme and a significant wastewater environmental programme – both with a high degree of complexity. Our region has exposure to ecological characteristics which make operating and delivering infrastructure projects more challenging compared with other areas of the country. These include a range of protected wildlife habitats like chalk streams and shellfish waters, as well as other designated zones like bathing waters and Areas of Outstanding Natural Beauty. These factors necessitate novel and complex schemes in AMP8. We have the greatest number of Nitrogen (N)-removal schemes due to the significant pressure on coastal and estuarine waters in our region, some of which are novel and technically complex 	<ul style="list-style-type: none"> Our Delivery Action Plan details 74 actions and initiatives across 12 workstreams that we are undertaking to build our capability and capacity for successful delivery in AMP8. These are: <ol style="list-style-type: none"> <i>Capital Delivery: Enabling efficient, transparent, and collaborative execution of an £8bn capital investment plan.</i> <i>Customer: Focusing on enhancing customer experience, operational efficiency, and regulatory compliance.</i> <i>Water: Focusing on water operations initiatives.</i> <i>Wastewater: Focus on wastewater operational initiatives.</i> <i>Environment: Focus on reducing storm overflows.</i> <i>Planning & Performance: Embedding integrated business planning, performance management, and regulatory reporting.</i> <i>Security (HSSW): Strengthening our protective security, safety systems, and compliance.</i> <i>Digital: Modernising and integrating digital systems and tools</i> <i>Procurement: Modernising sourcing, purchasing, and commercial operations.</i> <i>Strategic Workforce Planning: Ensuring we have the right people, in the right roles, with the right</i>

Risks and description	Mitigations
<p>to deliver.</p> <ul style="list-style-type: none"> We are required to deliver novel water recycling schemes at scale which are not only technically challenging but also carry an elevated level of stakeholder interest. 	<p>capabilities to deliver its strategic goals.</p> <p>11. Asset Management: Focusing on capability maturity improvement, bringing all related change, investment and operational activities within single line of governance and management.</p> <p>12. Major Projects DPC: Focusing on the DPC capability development, operating model including establishment of risk management and inter-operability with wider organisation.</p> <ul style="list-style-type: none"> We are fully mobilising to deliver – we have 7 capital delivery frameworks including 24 Tier 1 delivery partners and suppliers, covering a sum total value anticipated to be between £3.2bn to £4.7bn.
<i>Delivering under our cost challenge</i>	
<ul style="list-style-type: none"> There are specific areas across our plan where we have a funding challenge following Ofwat's Final Determination. We are in the process of seeking a PR24 redetermination with the Competition and Markets Authority (CMA). There continues to be uncertainty around costs of investment in some of our schemes, e.g. our Strategic sites which we have requested that the CMA put into Ofwat's Large Scheme Gated mechanism. 	<ul style="list-style-type: none"> We have sought an appropriate redetermination from the CMA in a number of key areas with a final re-determination expected towards the end of 2025. We are showing our latest view of costs in the following areas: <ul style="list-style-type: none"> PR19 WINEP Deferrals – Our forecast costs are higher than our FD allowance, so we are representing these in our DP Data Tables We are showing our Draft Determination Response (DDR) costs in the following programme areas to align with our CMA statement of case: <ul style="list-style-type: none"> Mains Replacement (enhancement) Water Supply Interconnectors Water Resilience Strategic Sites WINEP/NEP - Flow monitoring at STWs WINEP/NEPMCERTS (Umon6) Industrial Emissions Directive schemes We are working with our delivery partners to drive efficiencies and delivery optimisation throughout our investment plan. We are exploring alternative delivery routes for our smart metering programme and major investment in sludge treatment in Kent as an approach for efficiency of delivery We continue to engage proactively with Ofwat on our cost challenges and the strategic sites which carry a very high degree of cost uncertainty, some of which are in large, gated processes. We have implemented 8 new 'Strategic Programme Leadership Teams across the whole Delivery Plan, alongside a revised Asset Lifecycle Process with teams working to identify opportunities to innovate, and drive efficiency.
<i>Regulatory alignment and approvals</i>	
<ul style="list-style-type: none"> Regulators need to be aligned and consistent to 	<ul style="list-style-type: none"> We are engaging with our regulators to discuss

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<p>help enable cost-effective delivery of our PR24 programme. Inconsistent regulatory approaches could lead to abortive work.</p> <ul style="list-style-type: none"> • Our ability to meet our IM6 PCD dates is reliant on appropriately prompt regulatory sign-off of outputs which is outside of management control. • The scale and complexity of our plan (discussed below) will require extremely complex and interdependent local approvals relating to environmental impacts and nature protection. • The effectiveness of interim regulatory mechanisms is critical. Our plan relies on clear processes for projects navigating Large Gated, Delivery Mechanism, and non-RAPID DPC mechanisms. Delays in the prompt release of funds following project gates, or a lack of clear and timely feedback (either pre-submission to ensure gate passage or post-submission to facilitate prompt resolution), could severely impact project progress and programme delivery. • A large proportion of Wastewater schemes were included within the Delivery Mechanism (contingent funding allowance). Despite funding uncertainty, to meet our statutory delivery dates we have already commenced delivery of some of these schemes. The funding uncertainty increases our deliverability risk. 	<p>our plans, and how we intend to meet our delivery commitments. We are giving as much notice as possible to enable our regulators to plan for and be able to meet their sign-off requirements.</p> <ul style="list-style-type: none"> • We have provisioned a three-month period post-completion for IM6 PCD sign-off • On 31st July we submitted the confirmation of which schemes should be within the Delivery Mechanism, as requested within the FD. We propose to remove a number of more urgent schemes relating to nutrient removal, continuous water quality monitoring and high priority storm overflows. • We are establishing our internal processes in relation to reporting to Ofwat against each type of delivery mechanism and will be proactively engaging with the Environment Agency as needed to ensure that the mechanisms and gated processes run as smoothly as possible and approvals are obtained without undue delays. • We are developing new internal policies to ensure our teams have robust and thorough guidance for each type of mechanism to enable successful regulatory submissions.

Development of our Baseline

- Our Delivery Plan reflects the bottom-up baseline delivery schedules for individual schemes in accordance with wider regulatory (EA WINEP and DWI) and PCD delivery requirements and forecast durations. In some cases, the increased maturity of our current plan shows a different profile to the Ofwat targets in the pre-populated data tables.
- The Delivery Plan represents our latest best view on a scheme-by-scheme basis of our baseline schedules recorded in our corporate schedule management tools and systems.
- To develop individual scheme schedules we worked with our internal and external delivery teams to build an understanding of scheme delivery schedules and costs profiles. These were tested with our supply chain partners and benchmarked against other water sector companies and other industries.
- Through our recently established Strategic Programme Leadership Teams (SPLT) we have brought together asset management, capital delivery, engineering, finance and commercial teams to ensure all parts of our business are aligned in their commitment to deliver on their regulatory and statutory requirements. Through this alignment and forum, we have challenged our initial schedules, time scales and start dates to produce a regulatory compliant baseline.
- We have and will continue to work with our supply chain delivery partners to communicate the delivery and reporting requirements and drive alignment in our contracts.
- Our baseline represents the costs anticipated at their early stage of programme delivery, based on our historical and benchmarked cost phasing. With a significant portion of our programme still in the early phases of delivery (Pre-Detailed Design) we are presenting our current view of the costs optimised to fit within deliverability and finance ability constraints of the business.

- Ofwat has produced in its delivery plan guidance documentation Interim Milestone dates and stage gates. These milestones and gates do not fully align to internal Southern Water lifecycle delivery process. We have mapped the Ofwat Interim Milestones across to our Asset Lifecycle and Project Delivery Process.
- Targets have been prepopulated by Ofwat, with blue calculation cells in the excel. Southern Water have not changed the structure, calculation cells or targets in the data tables.

Principles and assumptions

- We are showing the latest forecast of our AMP8 plan to deliver our regulatory commitments.
- We are showing a plan that we consider to be deliverable and affordable, based on the current maturity of all our programmes and the associated costs to deliver that plan in line with wider ongoing conversations with our regulators and the CMA.
- Our Asset Lifecycle Process, and therefore our Interim Milestones, are aligned to the regulatory process approval of output delivery. We have allowed a period of 3 months from IM5 to IM6 to secure regulatory approval and sign off. This is to recognise that this process is not entirely within our control and the scale of approvals required by regulators could create delays. To the extent possible we will engage proactively with all our regulators to mitigate approval delays.

RAGB assessment for PCDs

Ofwat requires companies to report a Red/Amber/Green/Blue (RAGB) rating for each PCD, providing a risk assessment of performance against output requirements.

Status	Ofwat description ¹
Green	Performance is on track to meet the PCD output requirements (or WINEP, WRMP, NEP, DWI statutory requirements if earlier). No indication of any factors which may cause performance to deteriorate from PCD requirements in the following years.
Amber	There is a risk that meeting PCD output requirements (or WINEP, WRMP, NEP, DWI statutory requirements if earlier) is not on track (or there are indications requirements may not be met in the following years), but mitigations are in place to address issues and PCD output target is expected to be achieved by 30 June 2030 (or WINEP, WRMP, NEP, DWI statutory dates if earlier).
Red	PCD output requirements (or WINEP, WRMP, NEP, DWI statutory requirements if earlier) are not going to be met in full (unless agreed with the EA/NRW/DWI) and there are insufficient mitigations in place to meet the requirements by 30 June 2030 (or WINEP, WRMP, NEP, DWI statutory dates if earlier).
Blue	PCD output requirements (or WINEP, WRMP, NEP, DWI statutory requirements if earlier) are not going to be met because the outputs are no longer required in the short and long term.

The majority of our PCDs have been rated as 'Amber' by default unless there is a clear and robust reason to assign a Green or Red. Ofwat's definition of 'Green' is an extraordinarily high bar to demonstrate Compliance, so we are unable to evidence Green status to any PCDs that have not yet been delivered or are at an extremely mature stage of delivery.

¹ [Delivery-plan-guidance_July-2025.pdf](#)- Amber and Red definitions were updated by Ofwat following February 2025 workshop where some companies asked for further guidance on the RAG definitions.