

WATER SERVICES REGULATION AUTHORITY

WATER INDUSTRY ACT 1991, SECTION 12A(2)

Modification of the Conditions of Appointment of South East Water Limited

Made on 18 November 2025

Coming into effect on 1 February 2026

The Water Services Regulation Authority, in exercise of the power conferred on it by section 12A(2) of the Water Industry Act 1991 (the "Act"), after giving notice as required by section 12A(3) of the Act, hereby makes the modifications described in the Schedule attached hereto to the Conditions of the Appointment South East Water Limited as a water undertaker under Chapter I of Part II of the Act.

**Signed for and on behalf of the
Water Services Regulation Authority**

**Andrew McGeoghan
Director**

Schedule

Condition A: Interpretation and Construction is amended as follows:

In paragraph 3, the definition of "Reference Notice" is deleted and replaced with the following definition:

"Reference Notice" means a notice given to Ofwat under paragraphs 10, 13 or 14A of Condition B;"

Condition B: Charges is amended as follows:

1. In paragraph 2, the definition of "Interim Determination" is amended by substituting "paragraph 14, 14ZA or 14A" for "paragraph 14 or 14A" in both places.
2. In sub-paragraph 11.4, substitute "15 December" for "15 November".
3. After paragraph 14 insert:

"14ZA Interim Determinations relating to the PR24 cost change process

14ZA.1 In 2026, 2027 or 2028 the Water Services Regulation Authority may, having given notice to the Appointee of its intention to do so no later than the fifteenth day of August in each of those years, determine the questions set out in sub-paragraph 14ZA.3 in relation to the Eligible Item or Eligible Items specified in the notice.

14ZA.2 Any such determination by the Water Services Regulation Authority must be made no later than the fifteenth day of December immediately following the date of the notice.

14ZA.3 The questions referred to in sub-paragraph 14ZA.1 are both of the following:

- (1) whether, under sub-paragraph 14ZA.4, each Eligible Item specified in the notice has had or will have a relevant effect on the Appointed Business;
- (2) where one or more Eligible Item specified in the notice has had or will have a relevant effect on the Appointed Business, what change, if any, should be made to the level of a Price Control or Price Controls over the period beginning with the Charging Year starting on 1 April immediately following the date of the notice and ending

on 31 March 2030 as a consequence of the Eligible Item(s) that have had or will have a relevant effect on the Appointed Business.

14ZA.4 For the purposes of sub-paragraph 14ZA.3(1), an effect will only be regarded as relevant if the questions set out in sub-paragraph 13.2 were to be asked in relation to the Eligible Item and the Materiality Amount was equal to or exceeded two per cent of the turnover attributable to the Appointed Business in the latest financial year for which accounting statements have been prepared and delivered to the Water Services Regulation Authority under Condition F, as shown by those accounting statements, and for this purpose where the Materiality Amount is a negative figure it shall be treated as though it were a positive figure.

14ZA.5 For the purposes of this paragraph an "Eligible Item" is an item specified in Appendix 1 to this Condition and the words and expressions used in that Appendix shall have the same meaning as in Part IV of this Condition, unless the contrary intention appears.

14ZA.6 References in this Condition to Relevant Changes of Circumstance, Notified Items and Relevant Items shall be taken, for the purposes of any Interim Determination in the period from 1 April 2025 to 31 March 2030, to exclude any Eligible Item."

4. At the end of the Condition insert the following Appendix:

"Appendix 1 – PR24 cost change process Eligible Items

1. Cyber security

Any increase in costs in the period from 1 April 2025 that is reasonably attributable to:

- (a) any new or changed legal requirement that applies to the Appointee in its capacity as a relevant undertaker;
- (b) any new or changed enactment or subordinate legislation to the extent that it applies to a person in their or its capacity as a contractor acting on behalf of the Appointee in its capacity as a relevant undertaker; or
- (c) any new or changed guidance issued by the Cabinet Office or other body of competent jurisdiction about the level of threat that relevant undertakers need to take into account

in relation to the technical and organisational measures that the Appointee or its contractors must take, or would be reasonably expected to take, to:

- (i) manage risks posed to the security of the network and information systems on which the Appointed Business relies;
- (ii) prevent and minimise the impact of incidents affecting the security of the network and information systems used for the purpose of carrying out the Regulated Activities, with a view to ensuring the continuity of the services provided by the Appointee in the course of carrying out the Regulated Activities.

Definition(s)

For the purposes of this Eligible Item:

"network and information systems" has the same meaning as in the Network and Information Systems Regulations 2018 (SI 2018/506).

2. Per- and poly fluoroalkyl substances (PFAS)

Any increase in costs to carry out works at treatment works to ensure the safety of drinking water with respect to per- and poly fluoroalkyl substances ("PFAS") in the period from 1 April 2025, beyond those costs and work that the CMA allowed for when making a determination following a reference to it pursuant to paragraph 16, in circumstances where the Appointee demonstrates to the reasonable satisfaction of Ofwat that:

- (a) the Appointee has carried out the necessary investigations to identify the works that are required to enable the Appointee to properly carry out its functions as a water undertaker; and
- (b) at least one of the following conditions is satisfied:
 - (i) the works are required by an enforcement order made on or after 20 December 2024 under section 18 of the Water Industry Act 1991,
 - (ii) the works are required by an undertaking given by the Appointee to, and accepted by, the Secretary of State on or after 20 December 2024 for the purposes of section 19(1)(b) of the Water Industry Act 1991,
 - (iii) the works are required by a new notice given on or after 20 December 2024 under regulation 28(4) of the Water Supply (Water Quality) Regulations 2016 or a notice given under regulation 28(4) of those Regulations that has been varied on or after 20 December 2024, or

- (iv) the Appointee has demonstrated to the reasonable satisfaction of the Secretary of State that works at additional treatment works, beyond those works that the CMA allowed for when making a determination following a reference to it pursuant to paragraph 16, are required to enable the Appointee to properly carry out its functions as a water undertaker.

Definition(s)

For the purposes of this Eligible Item:

"drinking water" means water supplied by the Appointee or a water supply licensee that is intended for human consumption; and

"treatment works" means any treatment works developed or maintained by the Appointee for the purpose of complying with its duty under section 37 of the Water Industry Act 1991.

Additional Note:

Whether the necessary investigations to identify the works that are required to enable the Appointee to properly carry out its functions as a water undertaker have been carried out will be assessed by reference to the undertaking given to the Secretary of State under section 19(1)(b) of the Water Industry Act 1991 in relation to the Appointee's AMP8 PFAS Strategy and the Drinking Water Inspectorate Guidance to water companies entitled "Guidance on the Water Supply (Water Quality) Regulations 2016 (as amended) for England and Water Supply (Water Quality) Regulations 2018 for Wales specific to PFAS (per- and polyfluoroalkyl substances) in drinking water" (August 2024).

3. Asset Health

Any increase in costs in the period from 1 April 2025 to 31 March 2030 reasonably attributable to works, beyond those that the CMA allowed for when making a determination following a reference to it pursuant to paragraph 16, to maintain, renew or replace water network storage, boreholes, or rapid gravity filters at water treatment works in circumstances where:

- (a) Ofwat considers that, across England and Wales, the general condition of assets of the relevant description belonging to, or vested in, relevant undertakers is such that additional works, beyond those that the CMA allowed for when making a determination following a reference to it pursuant to paragraph 16, to maintain, renew or replace those assets, is

required to secure the resilience of water supply systems or sewerage systems; and

- (b) the Appointee demonstrates to the reasonable satisfaction of Ofwat that:
 - (i) the additional works it is proposing are reasonably necessary to enable the Appointee to properly carry out its functions as a relevant undertaker;
 - (ii) that it can carry out such additional works by 1 April 2030 (or by no later than three months after that date); and
 - (iii) that it can carry out the works the CMA allowed for when making a determination following a reference to it pursuant to paragraph 16 by 1 April 2030 (or by no later than three months after that date).

Definition(s)

For the purposes of this Eligible Item:

"rapid gravity filters at water treatment works " means civils components of rapid gravity filters at treatment works developed or maintained by the Appointee in its capacity as a water undertaker for the purpose of complying with its duty under section 37 of the Water Industry Act 1991; and

"water network storage" means service reservoirs, water towers, storage of potable water at water treatment works or contact tanks developed or maintained by the Appointee in its capacity as a water undertaker for the purpose of complying with its duty under section 37 of the Water Industry Act 1991.

4. Major Projects Development Costs

An increase in Major Projects Development Costs in the period from 1 April 2025 to 31 March 2030, beyond those that the CMA allowed for when making a determination following a reference to it pursuant to paragraph 16, that Ofwat reasonably agrees can be considered as part of this Eligible Item.

Definition(s)

For the purposes of this Eligible Item:

"major infrastructure project" means a project, or part of a project, in connection with designing, constructing, owning, maintaining or operating infrastructure that:

- (a) is designated as a DPC Delivered Project or specified as an infrastructure project under regulation 4 of the Water Industry (Specified Infrastructure Projects) (English Undertakers) Regulations 2013 (SI 2013/1582) or is reasonably expected to be so designated or specified, or
- (b) Ofwat reasonably considers should be treated as a major infrastructure project for the purposes of this Eligible Item because of its size or complexity;

"Major Projects Development Costs" means costs incurred by the Appointee in its capacity as a relevant undertaker in relation to the development and management of, or preparatory work for, one or more major infrastructure projects; and

"preparatory work" includes:

- (a) conducting surveys, including in relation to environmental matters, ground conditions, hazardous substances, heritage, the operation of existing infrastructure, ground and surface water quality and the general condition of a site,
- (b) arranging for the provision of electricity or other power,
- (c) diverting or protecting communications, electricity, gas, water and sewerage assets,
- (d) preparing designs and specifications,
- (e) preparing and submitting planning applications, including consulting the public in relation to those applications, and acquiring and protecting interests in land,
- (f) procuring goods, services or works,
- (g) preparing a site for works, including remediation of contamination, laying access roads and undertaking demolition and clearance works, and
- (h) undertaking associated works on the highway."