November 2025

Final determination adjusting for company actual ODI payments in 2024-25: South Staffs Water

Ofwat

1. Introduction

This document sets out our final decisions on South Staffs Water's outcome delivery incentive (ODI) payments for 2024-25. It confirms the extent to which the price controls in South Staffs Water's PR24 final determinations need to be adjusted for the difference between the company's actual and forecast performance for final charging year of the 2020-25 period (the 'blind year') in relation to its PR19 performance commitments.[1] This final determination does not cover the wider adjustments to South Staffs Water's price controls for the other PR19 reconciliation mechanisms or correction of unambiguous errors (other than those relating to ODIs).[2]

The specific changes, and our reasons for these, are set out in this document, the sector overview and associated models which can be found on our website.

In making our final determinations, we considered stakeholder responses to our draft determinations, published on 2 October 2025, and other relevant information, including the CMA's provisional redetermination of our PR24 determinations (to the extent it is relevant to this process).

Alongside this document, for each company we are publishing models on our website.

We are not publishing stakeholder responses to our blind year draft determinations with our ODIs final determinations. This is because they include comments on non-ODI areas of the blind year draft determinations, for which we will not publish our final determinations until December. Instead, we set out the full text of stakeholders' ODI related responses under the "Stakeholder responses" headings in section 3. We will publish stakeholders' responses to our blind year draft determinations (including ODIs) with our blind year final determinations in December 2025.

In accordance with the company's licence, tables in this document are shown in 2017-18 price base.

[1] This determination is made pursuant to Part 3A of condition B of the company's licence (Performance Measure Adjustments, referred to in this document as outcome delivery incentives' determinations) and in accordance with Annex 2 of each company's notification of the PR24 final determination of price controls.
[2] South Staffs Water's licence requires us to redetermine price controls for ODI payments no later than 15 November. We confirmed in IN25/01 that we would publish final determinations on the wider blind year adjustments in December 2025. This remains our intention.

2. Final determination of Blind year adjustment of outcome delivery incentives (ODIs)

Table 1 sets out our final determination of the blind year ODI payments to be applied to South Staffs Water's price controls, and subsequently to customer bills, in the 2026-27 charging year. It also shows the change in ODI payments for South Staffs Water between our draft and our final determinations.

Table 1: Change between draft and final determination on total ODI payments to be applied to customer bills in 2026-27 (£million, 2017-18 FYA CPIH deflated: PR19 base year prices)

	Draft determination on total blind year ODI payments (£m)	Change between draft and final determination (£m)	Final determination on total blind year ODI payments (£m)
South Staffs Water	-2.341	0.298	-2.044

Table 2 shows the breakdown of our final determination on blind year ODI payments for South Staffs Water, to be applied to price controls in the 2026-27 charging year.

Table 2: Final determination blind year revenue adjustment to 2026-27 bills for South Staffs Water (£million, 2017-18 FYA CPIH deflated: PR19 base year prices)

	Water resources	Water network plus	Wastewater network plus	Bio-resources	Residential retail	Business retail	Total
PR24 FD ODI payments for 2024-25[3]	0.047	-4.752			0.000		-4.704
Company view of actual ODI payments for 2024-25 performance[4]	0.048	-4.408			0.000		-4.360
Ofwat interventions	0.000	-2.249			0.000		-2.249
C-MeX					0.000		0.000
D-MeX		-0.139					-0.139
Ofwat view of actual ODI payments for 2024-25 performance including C-MeX and D-MeX	0.048	-6.796			0.000		-6.748
Blind year ODI payment adjustment for 2024-25 performance[5]	0.001	-2.044			0.000		-2.044
Abatements	0.000	0.000			0.000		0.000
Bespoke adjustments	0.000	0.188			0.000		0.188
Brought forward deferrals	0.000	0.000			0.000		0.000
Blind year deferrals	0.000	0.000			0.000		0.000
Final determination blind year adjustment to be applied to customer bills in 2026-27	0.001	-1.857			0.000		-1.856

[3] This does not include any forecast payments for C-MeX and D-MeX for 2024-25.
[4] This excludes C-MeX and D-MeX.
[5] The difference between the PR24 FD ODI payments for 2024-25 and the Ofwat view of actual 2024-25 ODI payments for 2024-25 performance including C-MeX and D-MeX.

3. Key interventions and policy decisions

3.1 Leakage and Per capita consumption

Our draft determination

In our draft determination, we stated that we had deferred our decision and payments on South Staffs Water's reported leakage for its South Staffs region from the 2022-23 in-period determination, pending further engagement to understand its datasets and methodologies for all components of the water balance. In January 2025, we wrote to the company and made it clear that we required the company to formally restate its water balance for voids – including leakage, per capita consumption (PCC), and associated ODI payments – for 2017-18 to 2021-22, in its 2024-25 Annual Performance Report (APR). We said that we required the company to provide external assurance on this restatement.

We noted that in its 2024-25 APR, the company reported underperformance payments for leakage (£0.188 million) and PCC (£2.180 million) in the South Staffs region, and outperformance payments for leakage (£0.190 million) and PCC (£0.025 million) in the Cambridge region. However, the company did not provide the required restated data in its APR. When queried, it supplied restated values but stated that it did not propose to formally restate, as it considered this to be disproportionate. We said that we disagreed with this position as we considered that the company's treatment of voids should be consistent with adjustments it makes to other areas such as revenue. We indicated our intention to intervene to apply an adjustment for voids to both leakage and PCC for the South Staffs region but said that we would make this intervention in our final determination because we had become aware of additional issues which could affect the value of the adjustment we make. These additional issues related to water taken unbilled in both regions and to non-household consumption in the Cambridge region, for which we had requested additional information from the company.

Given these unresolved matters, we stated in our draft determination that we would apply the underperformance payments for leakage and PCC in the South Staffs region but defer decisions on outperformance payments. We therefore removed the leakage outperformance payment of £0.190 million and the PCC outperformance payment of £0.025 million for the Cambridge region, setting these to £0. We reserved the right to intervene further on leakage and PCC for both regions in our final determination once we had a clearer understanding of the company's water balances.

Stakeholder responses

In its draft determination consultation response, South Staffs Water stated:

"Following queries on our water balance methodology, Ofwat's draft determination defers outperformance payments for leakage and PCC until the review is completed. There are two areas being reviewed.

The first query is in regard to a restatement of voids in 2022-23. Ofwat requested that we recalculate our PCC and leakage from 2017-18. This demonstrated that the impact was small and estimated that the restatement would reduce the nominal leakage ODI reward over AMP7 by £0.11m and increase the PCC penalty over AMP7 by £0.018m. Ofwat states that it intends to apply this adjustment in their Final Determination.

However, we already abated an annual leakage reward in 2022/23 in the South Staffs Region of £0.216m when we previously restated due to a methodology change where we improved our household night use models to control for seasonality. If Ofwat intend to adjust for the restatement of voids, then the previous methodology change should also be applied.

The second query is in relation to the improved data used for water taken unbilled and long unread non household meters. We responded to a query raised by Ofwat (SSC-APR-WR-003) where we set out more details and confirmed that we did not see these data improvements as a methodology change. Our approach was also assured by Jacobs and their report has been shared with Ofwat.

We have spent a lot of time and resources improving the accuracy of the data over time. This has, in turn, improved our understanding of demand and the water balance gap, which is a positive action. Ofwat's recent queries on this area appear to be discouraging data improvement over time which we don't believe is their intention, so this should be reviewed. It is important that we continue to use improved data to improve reporting accuracy in leakage and the overall water balance, to support the long-term objective of reducing leakage and consumption per capita over time. This should not be disincentivised and instead should be actively encouraged.

We therefore do not believe that any restatement of prior year data is appropriate. The marginal movements in numbers that result from these restatements are immaterial in the context of our overall AMP7 incentives, AMP8 targets to reduce leakage by c.15% and to reduce PCC, and it would be disproportionate to make these restatements given the knock-on effects of recalculating all the incentives and AMP8 targets.

Due to the complex nature of the water balance, we have requested a meeting with Ofwat so we can explain our approach in more detail prior to a final decision being made."

Consideration of responses and final determination

In our draft determination, we stated that we had outstanding concerns in two areas - water taken unbilled in both the South Staffs and Cambridge regions and non-household consumption in the Cambridge region. We said that we were awaiting additional information from the company on these areas. We also said that we intended to make an adjustment for voids to both leakage and PCC in our final determination, once we had the information we needed to understand if our concerns in the other two areas had an impact on the value of the adjustment for voids.

The company provided the information we requested on the changes in water taken unbilled for both of its regions and in household / non-household consumption for its Cambridge region. The company's explanation for the changes is reasonable and is supported by external assurance. We do not consider that they represent a change in methodology and are satisfied that the company has reported in line with the common methodology for leakage and PCC. Therefore, we do not make any interventions to ODI payments with respect to these changes.

We have considered the company's request to allow the leakage outperformance of £0.216 million, which it abated in 2022-23 due to a change in methodology. This change was an improvement in the company's household night use models to control for seasonality. The company has stated that if we make the voids adjustment at final determination, then we should also allow this previously abated outperformance payment. We note that the company has made a number of updates to reported leakage across both its regions during the 2020-25 period. We have carefully considered each of these to ensure that any adjustment made is appropriate.

We consider that we should make a bespoke adjustment to allow the £0.216 million outperformance payment. This is because the ODI payments which flow from this change represent a real change in performance because the company had also restated its PR19 baseline. We also consider that the change is an improvement with data and this is supported by external assurance. We also recognise that the company was fully compliant with the common methodology for leakage and PCC at the time of this change and we consider that making this adjustment is consistent of our treatment of other companies which have changed leakage methodology and restated their baselines during the 2020-25 period.

Therefore in our final determination, we:

- apply a bespoke adjustment of £0.176 million for the South Staffs region in the company's favour for leakage. This is the net impact of allowing the company's abated outperformance payment from 2022-23 and applying the voids adjustment to leakage;

- include the restated PCC performance including the voids adjustment in our calculation of the impact of COVID-19 on PCC for the South Staffs region. This reduces our underperformance intervention by £0.037 million from £4.308 million to £4.271 million;
- apply the leakage outperformance payment of £0.190 million for the Cambridge region which we had deferred in our draft determination; and
- include the PCC outperformance payment of £0.025 million in 2024-25 for the Cambridge region, which we had deferred in our draft determination, within our overall intervention to adjust PCC for the impact of COVID-19.

We note that the value of the adjustments are different to those set out in our draft determination and in the company's draft determination consultation response. We set out below how we calculated our final determination adjustment for leakage.

Table 3: Final determination leakage bespoke adjustment calculation for South Staffs Water's South Staffs region

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Restated performance in 2023 (Ml/d)	75.0	73.2	69.8	65.9	66.6	65.3
ODI payment (£m)				0.353	0.486	0.216
ODI payment applied in IPD23						0.000 (Voluntarily abated)
Restated performance in 2025 including adjustment for voids	75.2	73.5	70.2	66.6	67.4	65.3
ODI payment (£m)				0.314	0.353	0.176
Bespoke adjustment before time value if money (£m)						0.176
Bespoke adjustment after time value of money (£m) – 2 years discounting at 3.11%						0.188

We recognise that the company has requested a meeting prior to the final decision being made. From an ODIs perspective, we consider that we have all the information we need for our final determination, therefore we have not met with the company.

3.2 Water quality compliance (CRI)

Our draft determination

In our draft determination, we explained that South Staffs Water had restated its 2023-24 Compliance Risk Index (CRI) score, revising it from 10.90 to 8.40, which the company said reduced its underperformance payment from £1.816 million to £1.709 million. However, after cross-checking against the Drinking Water Inspectorate's (DWI) final published data, we confirmed the correct CRI score as 10.93, consistent with the original figure.

We concluded that the company's proposed restatement was not supported by the DWI's final data, meaning the underperformance payment remained £1.816 million. We therefore intervened to remove the company's £0.107 million adjustment from the 2024-25 in-period adjustments model, as no change was required.

Stakeholder responses

South Staffs Water responded:

"In our PR19 Blind Year submission in July, we flagged that the score we had submitted for CRI in 2023/24 of 10.93 was not the final score subsequently presented by the DWI. The final value reported is 8.40 which reduces our CRI penalty by £0.107m.

In Ofwat's draft determination, it states that the score has been cross checked with the DWI's final score and that the original value is correct. We queried Ofwat on the source of their data on the 3 October and provided the following information.

We received CRI scores that were supplied to us by the DWI in May 2024, for the 2023 year. These show what we believe to be the final scores and these align with the chart shown on page 12 of the published 2023 Chief Inspectors report Drinking Water 2023: The Chief Inspector's report for drinking water in England[6].

This results in a combined score of 8.40 as our restatement set out. Therefore, our underperformance penalty for CRI in 2023 should be reduced by £0.107m.

In an email of 16th October, Ofwat said that it had reconfirmed the numbers with the DWI. We are unsure why the DWI's own published report has the numbers which match ours, but Ofwat is getting a different answer from them. We have now gone back to the DWI to try to determine why they have two datasets; however, we have not received a response before the deadline of this submission. We will communicate to Ofwat as soon as we can when we hear back from DWI on this issue."

In addition to this response, South Staffs Water informed us via email on 04 November 2025 that the DWI had confirmed its 2023 CRI score, which reconciled with the value used by Ofwat in the 2023-24 ODI calculation. The company therefore advised withdrawing the request for a restatement of the 2023 CRI.

[6] Drinking Water 2023: The Chief Inspector's report for drinking water in England

In our communication with the DWI regarding this matter, it was clarified that the actual CRI score for SSC in 2023 is 10.92, rather than 10.93.

Consideration of responses and final determination

Having considered stakeholders' responses on this matter, our final determination on South Staffs Water's ODI payments for this performance commitment remains as set out in our draft determination. This is because the company has withdrawn its request for a restatement of the 2023 CRI score, and the minor adjustment from 10.93 to 10.92, as confirmed by the DWI, does not affect the ODI payments. In both cases, the score remains above the collar value of 8.80 for SSC; therefore, our decision on ODI payments is unchanged from the draft determination. We will, however, reflect the revised CRI score of 10.92 in SSC's historical data for 2023-24.

3.3 C-MeX and D-MeX

Our draft determination

Our draft determination proposed ODI payments for both C-MeX and D-MeX for South Staffs Water based on data from the Annual Performance Report submissions, compared against the recorded data from our survey agent, BMG. The C-MeX and D-MeX scores for 2024-25 can be found on the Customer and Developer Services experience pages of the Ofwat website and in the published C-MeX and D-MeX models.

Stakeholder responses

Four companies identified that the 2024-25 annual allowed residential retail revenue figures used in the C-MeX model to calculate ODI payments had not been updated to reflect the values from the last in-period determination in 2023. Full details of these responses are set out in the relevant company's ODI final determination document, which are published on our website.

Consideration of responses and final determination

We agree that the allowed residential retail revenue figures had not been updated for 2024-25. Having considered stakeholders' responses on this matter, in our final determination we have included the 2022-23 values in the C-MeX model to recalculate performance payments. South Staffs Water did not receive any ODI payments as it is the median company for C-MeX. This remains the case in our final determination.

3.4 Deferrals and abatements

Our draft determination

Companies can ask us to defer outperformance or underperformance payments, or to abate outperformance payments on individual performance commitments.

South Staffs Water did not request to abate any outperformance payments. South Staffs Water did not request to defer any of its ODI payments.

Stakeholder responses

We did not receive any specific comments on this matter.

Consideration of responses and final determination

Having received no stakeholder responses on this matter, our final determination on deferrals and abatements is as stated in our draft determination.

3.5 Bespoke adjustments

In some instances, we may need to make bespoke adjustments to account for matters that have arisen after our PR19 determinations and after publication of the reconciliation rulebook in December 2020.

Bespoke adjustments relate to instances where, in their 2024-25 Annual Performance Report, companies have restated their previous performance to be in line with the reporting requirements of the relevant performance commitment(s). Where such adjustments are required, a time value of money adjustment is also applied to ensure the revenue adjustments are Net Present Value (NPV) neutral.

Bespoke adjustments for South Staffs Water are summarised in Table 4. They are explained in further detail in the section 3.1 of this document.

Table 4: Breakdown of bespoke adjustments (£million, 2017-18 FYA CPIH deflated: PR19 base year prices)

Price control	Prior year restatements	Time value of money adjustment on prior year total	Total bespoke adjustment to be applied to 2026-27 bills
Water resources	0.000	0.000	0.000
Water network plus	0.176	0.011	0.188
Residential retail	0.000	0.000	0.000
Total	0.176	0.011	0.188

Table 5: Final determination changes to PR24 price controls

This table sets out the impact of our final determination on the company's PR24 price controls, as set out in the in-period adjustments model published on our website. See the final determination ODI payments sector overview on our website for how we apply adjustments for tax and inflation.[7]

Price control		2025-26	2026-27	2027-28	2028-29	2029-30
Water resources (K factors)	PR24 determination	53.44	0.90	0.50	2.01	2.53
	Revised	53.44	0.91	0.50	2.01	2.53
Water network plus (K factors)	PR24 determination	22.28	2.88	2.08	1.01	-0.01
	Revised	22.28	1.25	3.67	1.01	-0.01
Residential retail (cost per customer, £ nominal prices)	PR24 determination	26.40	27.03	27.38	27.76	28.09
	Revised	26.40	27.03	27.38	27.76	28.09

We have based South Staffs Water's final determination on the data and commentary provided to us by South Staffs Water and, where relevant, other stakeholders. Should any of this information be revised or restated in future years, we will take account of adjustments we have made to the relevant price control in relation to the performance commitment(s) in question in making future determinations.

[7] Final determination adjusting for company actual ODI payments in 2024-25: Sector Overview.

Ofwat (The Water Services Regulation Authority) is a non-ministerial government department. We regulate the water sector in England and Wales.

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