Anglian Water: PR24 Cost Change Proposal

Growth

1 May 2026

Cost Change 2026 Growth proposals

Growth: Cost Change 2026

1 Overview of our proposals for growth

1.1 Background to our cost change proposals

Our region is experiencing rapid growth and is home to four of the UK's fastest growing towns and cities[1]. The scale of growth materially exceeds that assumed in our PR24 plan and necessitates substantial investment in our infrastructure to ensure that customer and environmental needs can be properly served both now and in the longer term. We see our role in supporting growth across our region as critical and in AMP8 we are progressing two new reservoirs, completing the Strategic Interconnecting Pipeline and installing over one million smart meters.

Despite our PR24 determination including the largest ever allowance for growth at our Water Recycling Centres (WRCs), this doesn't fully reflect the pace and scale of growth that is now targeted by Government. Since we submitted our PR24 Plan, an update to the National Planning Policy Framework in December 2024[2] prescribed a change to how housing requirements were calculated resulting in a significant uplift to future growth in our region (over 40% compared to adopted local plans, circa 80,000 additional homes in this Parliamentary period). Local Planning Authorities are now either working towards a December 2026 date to submit Local Plans for examination under the old planning system, or for those unable to meet this date, they will be providing an update to MHCLG by June or December 2026 on their timetable for preparing a Local Plan under the new planning system (depending on their current Local Plan status). Government continues to move forward with plans for major new transport infrastructure projects such as East West Rail, which will support major new towns at Tempsford and Milton Keynes, and support the major expansion of other priority locations such as Bedford, Peterborough, Colchester and Cambridge[3].

There is huge economic potential in our region but there is a risk that WRC capacity fails to keep pace with growth. Despite serving only 10% of the national wastewater customers, we operate 18% of the industry's WRCs. Our average WRC is smaller than those of our large wastewater comparators, and we have a disproportionate number of small works. This means that new growth can quickly use up available hydraulic capacity. This necessitates agility in our response, but this agility is not currently reflected in the Price Review process. As growth has outpaced investment, it is increasingly common that we find ourselves raising concerns with (or objecting to) new housing and commercial planning applications to protect the environment and our service to existing customers on the ground that there is insufficient capacity at the local WRC. We have also seen challenges between growth and Technically Achievable Limits (TAL), particularly for phosphorous. Whilst we are meeting obligations through our planned WINEP programme, the Environment Agency are continuing to push for us to go 'beyond TAL' at a number of WRCs to support the drive to no-deterioration in the receiving watercourse. This provides both technical, financial and deliverability constraints within-AMP. We recognise that this is not a sustainable position and we support the Water Delivery Taskforce's expectation that we move at pace to unlock this capacity and alleviate planning tensions.

We have consistently highlighted the need for more dynamic funding mechanisms to enable economic growth outside of the 5-year price review cycle. Ofwat's Cost Change process is the opportunity to redress the challenges of a lumpy 5-year process which finds itself out of kilter with the dynamic nature of growth demands and government priorities.

1.2 Transformational change in our region - the future growth outlook and alignment to government priorities

We are working particularly closely with government, regulators, local authorities and other stakeholders on 10 'priority sites' where population growth and housing demand is a national growth priority (Peterborough Flag Fen, Bedford, Biggleswade, Cambridge, Huntingdon, Milton Keynes, Northstowe Uttons Drove, Tempsford, Tendring Colchester, and Whitlingham).

1 Milton Keynes, Cambridge, Peterborough and Northampton Population change in UK cities 2014-2024
2 https://www.gov.uk/government/publications/national-planning-policy-framework--2
3 See Government announcement to kickstart housebuilding push March 2026.

Although we know the growth forecasts across our region are now higher than those which informed our PR24 Plan, the scale of growth at some locations is still evolving and outside of our control. For example, confirmation of the route and timescale for the construction of East West Rail would have a substantial impact on growth forecasts at several WRCs along the corridor, including both Bedford and Cambridge. We are still investigating the estimated impact of the Universal Destination and Experiences Resort, and much depends on local ambition for new housing across the region.

In that context, we have considered how the latest growth forecasts (based on the latest 5-year housing land supply and adopted local plan data, together with any strategic sites in emerging plans we are aware of) differed from those which informed our PR24 Plan. We also considered whether and to what extent these forecasts will continue to evolve; how this would affect the scope of work needed to upgrade each site; and our confidence in the deliverability of the upgrade scheme by the end of AMP8.

These pressures are not reflected in our 2026 proposal and once the long-term demands on these sites and the necessary capacity and treatment solution upgrades are better understood, we expect to use the Cost Change process to accelerate investments for these sites and enable growth sooner. We expect to submit cases for these locations in 2027 and 2028.

1.3 Our 2026 proposal focuses on unlocking growth at pace now - where expectations of the scale of growth exceeds the level reflected in our PR24 plan

Given the Government's target to deliver 1.5 million new homes by 2030, we have actively considered how best to align with the pace and scale of its ambitions to unlock and deliver on growth. With that objective in mind, we have identified 5 WRC schemes with a total AMP8 cost of £125m, which are 'shovel ready' and where there is additional demand growth above the forecast embedded in our PR24 Plan.

Peterborough (Flag Fen) is the largest scheme and is also one of the Government's priority sites. The existing upgrade scheme included in our PR24 Final Determination adds process capacity of 13,600 population equivalent (P.E), but known growth pressures render this investment insufficient to facilitate the growth expected whilst protecting the environment. We are therefore proposing to replace this with a larger scheme adding just over 45,000 PE (this is three times larger than the PR24 scheme). Due to the resulting increase in demand on the existing biological treatment processes, new treatment assets specifically designed to handle increased organic loads are also required to ensure the site can continue to meet its discharge obligations as the population grows.

There are a range of other investments proposed to enable growth beyond that reflected in the PR24 Final Determination. The other four 'shovel ready' schemes are Foxton (Leics), Great Dunmow, Langham (Essex), and Washingborough.

These schemes were not included in our PR24 Plan but additional growth is being brought forward that impacts these sites, resulting in a need for additional process capacity of over 15,000 PE combined. These schemes will also help to unlock new housing developments, including up to 1,200 new homes allocated in the Local Plan for Great Dunmow.

1.4 We are ready to deliver

Pending approval through the Cost Change process, all 5 schemes would begin construction in 2027-28 and would be completed by 2029-30. We have worked with supply chain partners in our Alliances to scope and design the necessary works and to confirm their deliverability within the AMP8 period.

We have assessed the implications of delivering these schemes and have identified no specific deliverability risks associated with these schemes beyond the risks around the larger AMP8 investment programme overall. We are confident that these are sensible incremental additions to our existing growth at WRC programme.

These schemes are essential to unlock growth. To protect customers, we propose to add the capacity delivered by these schemes into the existing PCD. This increases the process capacity added via the PCD from 253,000 to 300,000 PE, a c.20% increase on our existing programme.

Table 1 Investment summary (Wastewater Network+)

Investment [a]	Expenditure type	2027/28	2028/29	2029/30	AMP8
Peterborough (Flag Fen)	Capex	17.5	32.3	24.9	74.8
	Opex	0.0	0.0	1.0	1.0
Shovel ready schemes	Capex	11.5	21.1	16.2	48.7
	Opex	0.0	0.0	0.5	0.5
Totex		**29.1**	**53.4**	**42.6**	**125**

a (£m 2022/23 price base)

Table 2 Summary of investment development

Benchmarking	
Method	We have applied a layered benchmarking approach combining historic outturn costs, TR61 component-level comparisons, Ofwat's PR24 econometric model and independent internal and external cost assurance.
Findings	Where appropriate benchmarks exist we are shown to be efficient. We used two PR24 cost benchmarks: the STW growth cost model, and the transfers cost model. For the four of our schemes where Ofwat's PR24 benchmarks are appropriate, our costs are 20% below this benchmark. For Flag Fen we provide a full breakdown and explanation of costs.
Customer Protection	
PCD	We propose to update the existing STW growth PCD to incorporate revised and additional WRC growth schemes and CMA changes, leaving the wider PR24 PCD conditions unchanged.

Figure 1 Bedford WRC aeration settlement lanes

2 Need for additional investment

The certainty and timescale associated with new, transformative growth is firming up rapidly: with 80,000 more homes expected in our region by 2030 compared to our PR24 plan. As growth has outpaced investment, it is increasingly common that we find ourselves raising concerns with (or objecting to) new housing and commercial planning applications on the ground that there is insufficient capacity at the local WRC.

This is a significant difference from the level of growth reflected in the PR24 Final Determination. Whilst Ofwat intended that there be flexibility to substitute growth schemes within the PCD as outturn growth may diverge from forecasts at the site level, the additional growth at a regional level far outstrips the capacity to manage growth through the existing allowances and PCD mechanism.

Given the scale of these pressures, we have been meeting with Defra's Water Delivery Taskforce to identify barriers to growth and explore pragmatic solutions to solving these, helping to unlock tens of thousands of homes in our region over the next 5 years. Therefore, the Cost Change process provides an essential opportunity to respond to a national government priority.

2.1 The investments reflected in our 2026 proposal

Ofwat assessment criteria:*The proposed investment is driven by demand growth beyond that already funded at PR24, including a quantified difference between PR24 demand forecasts and revised projections, with identification of the specific water balance component(s) and growth factors (eg housing, population, connections, emerging industries, etc) responsible*

We focus on five locations shown in the table below, where the growth pressures are most certain and we have identified the preposed solution. That is to say that these are 'shovel ready' schemes where we can unlock additional growth and new housing quickly. This is an opportunity where we can collectively demonstrate that the regulatory framework can move quickly to respond to government priorities, aligned to our remediation and compliance plan to prevent growth causing flow compliance issues across our network.

Table 3 Proposed WRC growth schemes in our 2026 cost change proposal

Location	P.E in FD	Additional PE in exceedance of FD	Comments
Peterborough (Flag Fen)	13,560	45,077	New growth forecasts for the catchment show a significant increase on that assumed in the PR24 Final Determination, with a growth scheme of 45,077 now required. Around a fifth increase in capacity at one of the government's 10 priority growth sites.
Foxton (Leics)	0	2,846	The additional capacity is required to accommodate increase in non-household demand from HMP Gartree for an additional 1,962 p.e. residents and 884 p.e. staff (2846 p.e. in total). This requires a 150% increase in capacity at the site. The household population is not expected to increase in this catchment. This is reflected in the P.E served in the data tables.
Great Dunmow	0	9,856	80% increase in capacity to support proposals for up to 1,200 new homes around Great Dunmow, of which several hundred are in development. LandSec - the largest UK property development and investment company - is also promoting the creation of a new 10,000 home community on land between Great Dunmow and Stansted Airport.
Langham (Essex)	0	2,513	35% increase in capacity required to accommodate growth.
Washingborough	0	355	9% increase in capacity required to accommodate growth.
Total	**13,560**	**60,647**	

Collectively, these five schemes would increase process capacity by around 60,000 P.E. (47,000 additional P.E once the capacity for Flag Fen included in the PR24 FD is taken into account) increasing the P.E by a fifth compared

to that funded through the PR24 Final Determination. This material increase cannot be absorbed by substituting out existing schemes given the wider additional growth expectations on the region.

2.1.1 The expectations for additional growth investment will continue and we expect will be reflected in future Cost Change proposals.

Looking ahead to future Cost Change proposals, we also explored the need for additional investment at the other 9 government priority sites which align with the focus of the Water Delivery Taskforce. However, we decided that there is further work which needs to be undertaken before we have sufficient confidence of growth capacity requirements, maturity of scope and cost of these schemes to meaningfully engage with the Cost Change process. This uncertainty is outlined in the table below.

Table 4 Potential future WRC growth schemes at government's priority sites (excluding Peterborough)

Location	Indicative P.E	Comments
Bedford	100,000	A growth scheme was included in our PR24 determination but did not reflect impact of the UDX resort which was not known when our plan was submitted. Bedford had to withdraw and start its Local Plan afresh to take account of UDX and East West Rail, so growth forecast is uncertain. They also do not have a five year housing land supply, so speculative development outside of the Local Plan is coming forward creating more uncertainty. We will monitor emerging growth needs and work with UDX on a solution which avoids the need for funding from general customers.
Biggleswade	5,600 (adopted Local Plan to 2035)	New development of up to 6,000 new homes planned for Biggleswade East coming forward in emerging Local Plan over a number of AMPs. Scheme not included in our PR24 determination. Further work needed on scope and design.
Cambridge	130,000	Gated process pathway provided by the CMA, with feasibility work underway. Relocation is not the lead solution at this point due to withdrawal of government funding.
Huntingdon	50,000	Scheme not included in our PR24 determination but further work needed on scope and design. Government has imposed an increased housing delivery target of almost 6,000 new homes per year plus identification of a Growth Cluster with the Ministry of Defense.
Milton Keynes	37,000 (not including New Town)	Plans to deliver 35,000 - 40,000 new homes by 2050 as part of the Milton Keynes North and MK East extension projects. Scheme not included in our PR24 determination as further clarity is needed on timescale for the wider development.
Northstowe (Uttons Drove)	76,000	New town being developed by Homes England with 2,000 homes as of 2025 but planned to grow to around 10,000 homes over the next 20 years. Scheme not included in our PR24 determination but further work needed on scope and design.
Tempsford	5,000 (not including New Town)	Government-backed new town of 40,000 homes. Scheme not included in our PR24 determination as further clarity is needed on timescale for the wider development.
Tendring (Colchester)	47,000	New Homes England Garden Homes Accelerator development of 7,750 homes due to be submitted in the next 6 months to the planning authorities. Scheme not included in PR24 determination but further work needed on scope and design.
Whitlingham	90,000	Allowance included in PR24 determination. We will continue to deliver existing solution and monitor emerging growth needs during AMP8.

Collectively, these sites could amount to additional process capacity in excess of 540,000 P.E. as well as additional biological treatment capacity to deal with increased load. However, because (i) local plans sit at different stages of the adoption cycle and their planning horizons vary; (ii) of the uncertainty around the timescales over which growth will emerge through the 2030s and into the 2040s; and (iii) the interdependencies with macroeconomic conditions and delivery of other investment in the region, we felt that it would be too early to advance these schemes through the 2026 Cost Change process.

Our approach ensures that we will deliver the best whole life value for consumers by balancing the desire to invest for long-term growth ("build once, build well") with a need to ensure that customers are not locked in to paying for growth that is delayed or never materialises. In that context, our 2026 proposals reflects the most credible picture of growth available today while remaining adaptable to the rapid changes expected across the planning system in the coming years.

We will continue to work in partnership with the Water Delivery Taskforce on the need, scope and design of works for these priority sites over the next 12 months and beyond. This includes incorporation of our Enabling Water Smart Communities design principles in strategic site plans, including New Towns, to seek improvements to water efficiency, water reuse and water management. Since we have existing allowances in respect of Bedford, Cambridge and Whitlingham, we do not seek additional funding from customers in the 2026 cost change window. However, we also want to provide Ofwat with visibility of our future pipeline and note that:

- We may seek further development funding in the 2027 Cost Change process to progress design work and to avoid adding additional funding pressure to an already overprogrammed growth portfolio.
- We may provide further proposals in 2027 or 2028 where we can deliver substantial progress at priority sites in AMP8 and where there is opportunity to urgently unlock barriers to housing development and regional growth.

2.2 Ensuring that existing PR24 allowances are not duplicated

Ofwat assessment criteria: *There is no overlap with investment that should be delivered with existing base or enhancement expenditure allowances so that customers do not pay twice*

At PR24, WRC growth was assessed as enhancement, with allowances reflecting the capacity required to meet the growth assumptions use to inform the determination, and reflected in the Growth at STWs PCD. We currently have 63 growth schemes covered by the PCD, 22% of all the named schemes in the industry.

We have built our 2026 proposal around two distinct groups of schemes, and we have ensured that customers have not paid twice in either case:

1. Schemes already included in the PR24 PCD where we now require additional capacity beyond the PR24 Final Determination. This applies to the Flag Fen (Peterborough) scheme. For this, we request only the incremental cost above what was allowed at PR24. We provide a full breakdown of scheme costs and make clear the removal of the PR24 allowance in the 'Cost breakdown' section below.
2. Schemes not included in the PR24 FD for which no allowance was set. This applies to the other four 'shovel-ready' schemes. For these, we request the AMP8 costs to deliver growth-driven enhancement because no PR24 growth enhancement allowance exists for these sites.

We have also considered funding for growth from base allowances. Previously WRC growth was allowed as part of overall base expenditure. We draw from the CMA's conclusion in its FD (paragraph 4.467) that corrections to reflect base allowances not spent on growth are not necessary, noting the absence of specific targets or bottom-up funding allowances for growth from base, and the overspend against AMP7 base allowances supporting the view that we have not under-delivered in previous AMPs. Therefore we are confident that neither schemes (1) nor (2) are covered by historic base cost allowances.

Based on this approach and the specific netting-off of PR24 allowances, we are confident that customers are not paying twice for the WRC growth allowances proposed in this cost change proposal.

2.3 Current capacity

Ofwat assessment criteria: *There is insufficient surplus or spare capacity to accommodate the additional demand*

Across our region we are seeing a need for additional capacity at our WRCs, beyond the capacity included in our PR24 plan. This means that the PR24 FD capacity increases, while still expected to be delivered, are now insufficient to accommodate growth in updated local plans.

We have prioritised our 2026 proposals to the five sites where we have highest confidence of the need for, and deliverability of additional growth investment.

Our assessment of capacity requirements at each of these five sites is set out in the table below.

Table 5 Proposed WRC growth schemes in our 2026 cost change proposal

Location	Site capacity (P.E)	Capacity required to accommodate new growth (P.E)	FD Allowance (P.E)	Net increase to support growth (P.E)
Peterborough (Flag Fen)	269,619	45,077	13,560	31,517
Foxton (Leics)	1,902	2,846	0	2,846
Great Dunmow	9,654	7,604	0	9,856
Langham (Essex)	1,850	2,513	0	2,513
Washingborough	3,788	355	0	355
Total	**286,813**	**58,395**	**13,560**	**47,087**

This capacity is in addition to the existing PR24 capacity increases we will deliver in AMP8. This demonstrates that across the region there is insufficient surplus capacity to accommodate the additional demand. At a site level the net increases in additional demand are significant (including a 150% capacity increase at Foxton, and a 136% capacity increase at Langham).

2.4 Regulatory alignment with long-term plans

***Ofwat assessment criteria**: Requests are consistent with the need and reasoning presented to regulators and government through other processes*

Our long term planning framework is designed to adapt to new information, and ensure investments remain consistent with our long term trajectory. As updated planning evidence emerges (including adopted Local Plans and the revised development picture since Final Determination) we are refreshing the growth assumptions that underpin our long term pathways. This keeps our programme aligned to our Long Term Delivery Strategy (LTDS) and the Drainage and Wastewater Management Plan (DWMP), which together set out how and when capacity should be expanded to maintain resilience and protect the environment over multiple AMPs.

To maintain alignment, our growth forecasts are being updated through an evidence based validation process with LPAs. This process reflects the rapidly evolving planning landscape. Using the most up to date spatial planning information ensures that the growth pressures incorporated into this proposal reflect the best available view of near term and strategic development, strengthening the long term coherence of our proposals.

The additional investment sought through the Cost Change process therefore represents a targeted adjustment required to remain on the long term pathway already established. As higher and earlier growth pressures become evident, the programmes envisaged in the LTDS and DWMP need to be brought forward or expanded to avoid service, legal, environmental and cost risks later in the AMP. This proposal ensures that our AMP8 programme remains consistent with those long term plans - supporting sustainable development, maintaining resilience, and preserving the adaptive approach central to our long term strategy.

2.5 Risks of non-investment

***Ofwat assessment criteria:** The risk to service from increased demand is clearly identified, with forward looking risk assessments underpinning the investment need*

Failing to deliver the additional wastewater capacity required at these locations would expose our region to a number of significant service, environmental and regulatory risks. Without the investment set out in this proposal:

- Networks and treatment assets will not have sufficient capacity to accommodate expected growth. This would constrain new housing and economic development, leading to more frequent objections on the grounds of inadequate wastewater capacity.
- If development proceeds without the supporting infrastructure, there is a heightened risk sites operating beyond their design limits. This increases the likelihood of permit exceedances and legal non-compliance.

- Under high flow conditions, insufficient capacity increases the likelihood of hydraulic overload, leading to more frequent internal and external sewer flooding during storm events.
- Delaying growth driven investment would compound pressures into future AMPs, requiring larger interventions later, reducing resilience, increasing future cost pressure, and placing additional strain on supply chains by concentrating delivery into AMP9.

The five schemes in this proposal are prioritised because growth needs are more certain and the solutions are mature enough to begin construction in 2027-28 and be completed by 2029-30, mitigating near-term risks while maintaining adaptability for later cost change windows.

2.6 Compliance requirements

Ofwat assessment criteria: *The proposed investment is not intended to regain compliance with existing performance targets, permit levels or address enforcement cases*

All investment included in this proposal reflect enhancement activity required to create new capacity to meet growth need; it will not be used to regain compliance with existing compliance issues, permit levels or address enforcement cases.

We have adopted the assumption that each WRC will continue to operate at its current reported P.E values as reported in the Annual Performance Report (APR). This is the baseline which reflects the actual, operational capability of each site under current loading conditions. No adjustments have been made to uplift or derate the operational performance of assets beyond what is evidenced in APR data.

By fixing the baseline at APR-reported PE, the solutions costed assume that existing treatment assets will maintain their current hydraulic and biological process performance, without deterioration or improvement. This approach ensures that future growth needs are not incorporated in implied catch-up, optimisation, or remedial compliance improvements.

By baselining the APR performance data the investment is not restoring or improving existing compliance levels. Instead, any non-compliance arising under current conditions must be addressed separately.

This method aligns with expectations for driver separation, ensuring that growth-driven enhancement expenditure is clearly distinguished from expenditure required to restore baseline compliance. Through this approach, the solutions presented are for additional hydraulic and biological treatment capacity which has been attributed to future growth, not any requirement to recover baseline compliance or rectify current regulatory non-compliance.

As an additional check, in the table below we have replicated the analysis that Ofwat undertook in its DWF compliance adjustment when setting allowances at PR24. This utilised the three-in-five year rule to filter the sites against which DWF compliance could be an issue.

Table 6 DWF compliance for the proposed sites

Site	Q90 2021	Q90 2022	Q90 2023	Q90 2024	Q90 2025	Current DWF	Expected DWF permit	DWF permit change	Average of failing years	Average overstep
Peterborough (Flag Fen) WRC	51,330	46.952	51,830	52,555	48,588	66,192	66,192	-	N/A	
Foxton (Leics)	321	280	312	317	298	323	992	669	N/A	N/A
Great Dunmow WRC	2,256	2,213	2,398	2,558	2,468	1,900	4500	2,600	2,379	479
Langham	482	328	490	477	418	420	4029	609	N/A	N/A
Washingborough	590	576	695	612	528	600	N/A	149	N/A	N/A

Of the sites we are proposing in our 2026 cost change proposal, only Great Dunmow is non-compliant under the 3-in-5 year rule. For this site, we designed the solution to accommodate future growth in P.E. only. The current compliance issues will be addressed separately.

The proposed enhancement scheme for Great Dunmow is to provide additional future growth capacity at the WRC, in accordance with Local Planning Authority development trajectories and confirmed growth allocations. The scheme is driven exclusively by forecast increases in PE and the associated uplift in DWF and load arising from future growth connected to the site. This additional load is projected to exceed the current design capacity of the works in future years and therefore necessitates an enhancement under growth drivers, rather than a compliance led intervention.

The assessment of required additional capacity has been undertaken using the current baseline PE, which reflects existing connected properties. From this baseline, the future design horizon DWF has been calculated using EA aligned I-max flow estimation methodology and planning authority growth forecasts. The difference between the forecast future DWF and the current DWF baseline defines the incremental capacity requirement, ensuring that the uplift is clearly attributable to new development only. No allowance has been included for rectifying current operational constraints, asset deterioration, or existing compliance issues.

Therefore, while Great Dunmow is currently in breach of its DWF permit level, the growth scheme set out here is not intended to resolve that non-compliance and is focused exclusively on providing additional capacity attributable to future population growth. The proposed enhancement is a growth-only investment.

2.7 Stakeholder engagement

Ofwat assessment criteria: *There has been engagement with other stakeholders where appropriate (eg Environment Agency, Drinking Water Inspectorate, local authorities); Evidence of regulatory engagement and agreement (eg Environmental Agency)*

Given the strategic importance of growth within our region we have been engaging extensively with the Ministerial Water Delivery Taskforce since September 2025. This had an immediate focus on Cambridge WRC, with actions from Ministers to support short-term growth, and develop a long-term growth strategy using Cambridge Growth Company forecasts. Alongside this, a substream of the Taskforce was set up to address wider wastewater capacity challenges. This has led to positive weekly engagement to identify flexible and innovative approaches to unlock growth. Through the Taskforce (Defra, MHCLG, EA, Ofwat) we have agreed on the 10 priority locations aligned with government growth ambitions and are implementing new agreed approaches to unlock growth in these catchments.

We have also engaged with Local Planning Authorities (LPAs), Local Members, MPs and developers. This has involved regular monthly update meetings with LPAs where we are seeking Grampian conditions or objections; targeted sessions for Integrated Water Management Studies, Water Cycle Strategies or Infrastructure Delivery Plans on emerging Local Plan development; county-level growth webinars and DWMP/WRMP engagement events. Where no enhancement allowance is currently available and sites are non-compliant we are giving objections; where enhancement allowance is available for an additional WRC growth scheme, we are seeking Grampian conditions to manage growth in a way consistent with PR24 allowances, and that provides clarity to developers. We are raising these similarly through our engagement with the Local Plan process. LPAs have been clear that capacity upgrades are essential to support increased housing trajectories expected under Government policy, and our cost change proposals are designed to resolve these constraints in a planned and fair way.

Our engagement with the Environment Agency has been across several months and several levels of the organisation, most particularly in relation to the scheme at Flag Fen. We have hosted several site visits from senior Defra, Ofwat and EA officials to the site, for example John Leyland's visit in November 2025, as well as discussing the situation and our intent to apply for funding via this cost change process at several regular EA liaison meetings including most recently the Quarterly Directors meeting on 13th March 2026, and prior to that the Strategic update on the 12th February.

For Flag Fen WRC, we have had regular engagement with the Environment Agency through established liaison meetings, senior level strategic discussions, technical sessions and hosted site visits. These sessions have focused on site performance, future growth pressures and maintaining compliance with existing permit requirements, and have informed the identification of need and the development of appropriate investment options. Engagement has been further supported by multi stakeholder and regulator focused workshops to address current and future compliance risks collaboratively. Local authority engagement has been progressed through the formal planning process.

3 Best option for customers

3.1 Alignment with DWMP optioneering

Ofwat assessment criteria:*Alignment with strategic planning optioneering and decision-making methodologies, (eg WRMP, DWMP), where relevant, with proposals included in current or future strategic and / or statutory planning submissions; For DWMPs, scenario planning and inclusion of the proposed option in adaptive pathways linked to the relevant strategic planning framework*

Our investment proposals align with the methodology set out in our statutory DWMP, which was developed through structured engagement, risk assessment and multi-stage optioneering.

The DWMP incorporates local authority planning information. As set out in our PR24 plan, we proposed a WRC growth enhancement plan taking a conservative view of growth using ONS data. At the time we proposed a two-sided PCD to reflect this conservative view of growth (enabling additional allowances if growth materialised at a higher rate than the ONS forecast). Following the FD, the cost change process plays the role that a two-sided PCD would have played, allowing additional allowance where growth needs are beyond ONS levels. Our growth cost change proposals therefore support alignment with DWMP assumed levels of growth.

3.2 Unconstrained options

Ofwat assessment criteria: *Consideration of an unconstrained set of options, including a range of intervention types (eg blue-green solutions)*

When considering the solution to deliver at sites, we start broad. Before we assume additional capital investment is needed at WRCs, we consider catchment-wide solutions (e.g. those that reduce demand for treatment at our Water Recycling Centres). This approach is set out in section 5.8 of our DWMP Technical Report and in section 5.2.1 of ourPR24 enhancement strategy for growth.

We consider 45 different solution types across five categories: customer side management, combined foul and sewer systems, surface water management, wastewater treatment or other.

Within the wastewater treatment, we consider further intervention options, including:

Table 7 Generic investment options

Group	Option	Further details
Customer side management	Water efficiency - household customers.	Water efficiency measures can be installed within buildings to help reduce water consumption. This can benefit the wastewater system because it reduces the dry weather flow passing through the sewer network and through the WRCs.
	Water efficiency - business customers.	
	Rainwater harvesting - household customers.	Removing surface water from the system and making it available to re-use. By installing measures which collect and store rainfall before it lands and is lost as runoff. Rainwater harvesting reduces the amount of flow that needs to be moved through the sewer network during a storm. This in turn reduces the likelihood of sewer flooding or spills to watercourses.
	Rainwater harvesting - business customers.	
	Customer education - household customers.	A roll out of an education programme to improve understanding of the importance of reduced flows and the impact this has on the environment and sewerage system. This could include, but isn't limited to, awareness of existing incentives for removing surface water, removal of misconnections, or pollution prevention through keep it clear.
	Customer education - business customers.	

Group	Option	Further details
	Greywater re-use - household customers.	Install systems to treat and re-use household water (excluding toilets) for flushing toilets and gardening use. Either at property level or larger scale to reduce both flow and load to the system. The treatment levels considered vary from treatment for potable use (water that is safe to drink), to pre-treatment for discharge into the combined or foul sewer network.
	Greywater re-use - business customers.	
Combined foul and sewer systems	Property level resilience - above ground.	Provide physical barriers.
	Property level resilience - below ground.	Install non return devices at property level. This will stop water returning back.
	Proactive maintenance - cleaning.	Network cleaning regime at expected hotspots.
	Proactive maintenance - rehabilitation.	Network replacement regime at expected hotspots.
	Intelligent operation.	Use forecasting tools and real time information to control assets.
	Increased conveyance - infrastructure.	Pass forward a greater flow by increasing pump rate.
	Increased capacity - attenuation.	Build additional capacity through storage tanks. This will create additional volume to reduce storm impact.
	Transfer within catchment.	Avoid pinch point by diverting sub-catchment flows to another area of the catchment.
	Transfer between catchments.	Transfer flows from sub-catchments or the whole catchment to another sewerage catchment.
	Reduce infiltration.	Reline the sewer and/or manholes to remove infiltration.
Surface water management	New foul sewerage.	Create new sewerage pipes for foul flows only.
	New surface water sewerage.	Create new sewerage pipes for surface waters only.
	SuDS - public.	Variety of potential SuDS options, including swales, attenuation ponds and green roofs.
	Surface water source control - rural.	Re-directing land flows away from sewers.
	Rainwater harvesting - public.	Removing surface water from the system and making it available to re-use. By installing measures which collect and store rainfall before it lands and is lost as runoff. Rainwater harvesting reduces the amount of flow that needs to be moved through the sewerage network during a storm. This in turn reduces the likelihood of sewer flooding, or spills to watercourses.
	Exceedance pathways.	The need to provide safe movement (as opposed to storage) for floodwater during an extreme rainfall event (when the capacity of the sewer network is exceeded).
	Exceedance storage.	Storage of flood water to be used at a later time.
	Partnership funding.	Work with a third party to deliver a scheme with multiple benefits.

Group	Option	Further details
	SuDS - household.	Water butts and/or local rain gardens to reduce/slow the flow into the sewerage system.
	SuDS - business.	
Wastewater treatment	Improved maintenance.	Fixing assets when a maintenance need arrives.
	Process optimisation.	Adjusting our processes to get the most out of our existing assets.
	Increased capacity - new streams.	Build multiple additional process tanks at a WRC.
	Increased capability - new process.	Build a new process tank at a WRC.
	New treatment works.	Build a whole new WRC.
	Relocate outfalls.	Move the discharge point to another watercourse.
	Water reuse - non potable.	Direct the WRC discharge (effluent) for a non-potable use instead of discharging into the watercourse.
	Water reuse - potable.	Direct the WRC discharge (effluent) to a water treatment works (WTW) for potable use instead of discharging into the watercourse.
	Smart consenting.	Work with the Environment Agency to permit at a catchment level rather than individual WRCs
	Catchment management - flows.	Work with users who discharge into the watercourse to collectively reduce high flows.
	Catchment management - quality.	Work with users who discharge into the watercourse to collectively reduce poor quality.
	Wetlands.	Create a wetland for treatment of effluent.
	Treat / pre-treat trade effluent.	Improve the quality of trade effluent before accepting it into the sewerage system.
	Proactive maintenance - non-infrastructure.	WRC maintenance regime at expected hotspots.
	Increased conveyance - non-infrastructure.	Pass forward a greater flow by increasing flow to full treatment (FFT) - the maximum flow a WRC can treat.
Other	Investigate.	Complete work to understand the problem better.
	Wait and see.	Monitor.

Assessment of the proposed options include land availability and suitability assessments, catchment scale-modelling, permitting implications, ecological evaluation, stakeholder engagement, and delivery timescales.

3.3 Decision making

***Ofwat assessment criteria**: Robust decision making and whole-life best value analysis for customers and the environment*

We use robust decision-making process consistent with the unconstrained framework above, supported by engagement with stakeholders including the ministerial taskforce, to ensure we unlock growth at the right scale and at the right time.

This approach enables us to:

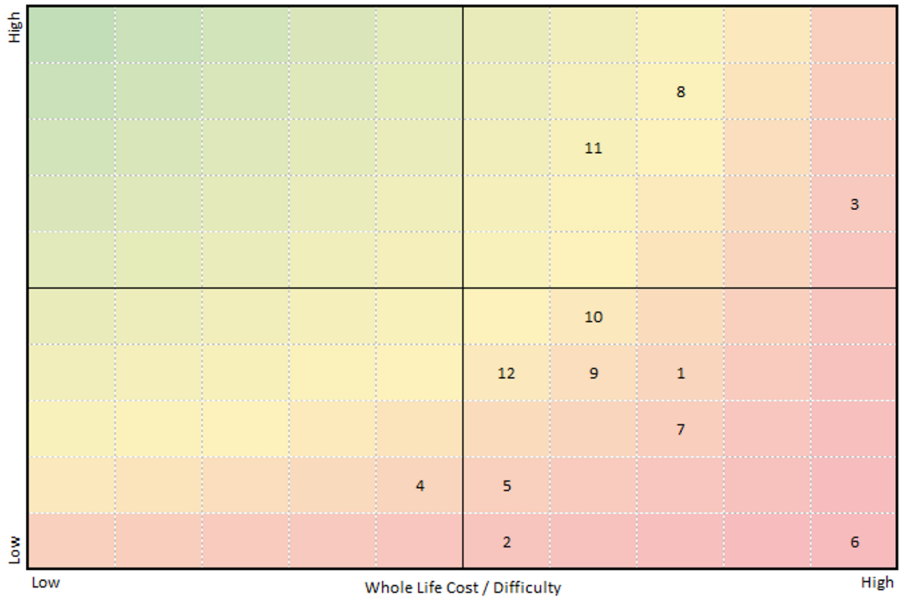
- Consider growth needs across the region;
- Identify the catchments offering best long-term value for targeting additional growth;
- Select the best site-level option for delivering required growth capacity

For shovel-ready schemes, we have applied the updated AMP8 Risk, Opportunity and Value (ROV) to the proposed site solutions. Each scheme has been assessed to confirm that the need and option selection is valid against updated growth forecasts, site constraints and AMP8 delivery requirements. Where growth pressures have increased in the time that the options have been considered, the solution scope was adjusted accordingly. This ensures that investment decisions are evidence-based, current and aligned with the enhanced AMP8 ROV process.

At a scheme level we undertake an optioneering phase to select the best options for delivering the scheme. For this PR24 cost change proposal, we have selected schemes that are 'shovel-ready' and have already been through this optioneering process.

During the optioneering session, we establish a clear problem definition. This ensures that the regulatory outcomes to be protected or enhanced, such as service reliability, environmental compliance or customer service. A root cause analysis is undertaken to establish the problem.

Figure 2 Value based decision making



We then conduct creative optioneering to develop a wide set of credible options and apply value-based decision making using a cost-benefit matrix to filter options and prioritise those capable of delivering efficient, evidence-based regulatory value. Examples of options considered are set out in the table below [4]

4 red- discounted, amber- discussed in more detail as an option, green- taken forward to option selection

Figure 3 Creative optioneering

Creative Optioneering	
Options	
1	Close works and pump elsewhere
2	Do Nothing
3	Upgrade the existing works
4	Add sidestream ASP
5	Total replacement of existing works with an ASP or similar
6	Tankering
7	Convert existing works to double filtration (2 New Filter 2 New Humus) plus Tertiary
8	Total replacement of existing works with an ASP or similar, plus tertiary treatment
9	Add sidestream ASP and Tertiary treatment for all flows
10	Add sidestream ASP and Tertiary treatment for all flows (plus Humus Tank on Existing Plant)
11	New Total Flow MBBR and Tertiary Treatment
12	Add sidestream MBBR and Tertiary treatment for all flows (plus Humus Tank on Existing Plant)

Each option is filtered through a cost-benefit matrix to understand its relative merits and to prioritise those most capable of delivering efficient, evidence based regulatory value. The options taken forward are selected for further development.As part of the options appraisal process, we undertake a comprehensive Whole Life Cost/ Whole Life Value analysis to inform the selection of our preferred option.

3.4 Details of the proposed solutions

Ofwat assessment criteria: *Detailed explanation of the proposed solution, including scope, scale, timing, and alignment with customer preferences*

Pending approval through the cost change process, all five schemes would begin construction in 2027-28 and complete by 2029-30. We have worked with supply chain partners in our Alliances to scope and design the necessary works and confirm deliverability within AMP8. We do not identify scheme-specific deliverability risks beyond those associated with the overall larger AMP8 investment programme, and we are confident these are sensible incremental additions to our existing growth at WRC programme.

Customers would be protected from non-delivery by adding these schemes into the existing PCD, increasing process capacity added via the PCD from 253,000 to 300,000 PE (a c.20% increase).

3.4.1 Peterborough (Flag Fen) WRC proposal

Flag Fen is our largest scheme and one of the Government's priority sites. The existing upgrade scheme in the PR24 Final Determination adds 13,600 PE, but we propose to replace this with a larger scheme adding just over 45,000 PE (trebling the scale of the current PR24 scheme). Due to increased demand on biological treatment processes from sustained population growth, additional treatment assets designed to handle increased organic loads are required to ensure the site can continue to meet discharge obligations as population grows. The current environmental permit will remain unchanged, this is not a tightening of permit standards, but an increase in load arriving at the works.

The proposed investment at Flag Fen is driven by the need to ensure that the works can continue to reliably and compliantly treat increasing influent load resulting from sustained population growth across the catchment. Forecast growth over the planning horizon will place significantly greater demand on the existing biological treatment processes, with load projections showing that the current assets will not be able to maintain compliance under future operating conditions. Without intervention, the site faces an increased risk of consent breaches, deterioration in effluent quality, and reduced operational resilience.

It is important to note that the current permitted Dry Weather Flow (DWF) and associated permit standards at Flag Fen are not changing as part of this investment. The existing environmental permit remains in place, and therefore the regulatory standards that the works must achieve stay exactly the same. The driver for investment is a material increase in the load arriving at the works. To accommodate this, additional biological capacity is required to ensure the site can continue to meet its existing obligations while managing the higher future load. This includes the provision of new treatment assets specifically designed to handle increased organic loads, ensuring ongoing compliance and maintaining service to customers as the population grows.

Our actual costs, however, are driven by the necessity to install new biological treatment assets to manage the increasing load, safeguard compliance, and maintain the operational resilience of a strategically important wastewater treatment works. The detailed scope set out within

this business case documents the specific local drivers, population growth, inflow/load projections, and the capacity constraints of the existing process, that underpin this investment for this proposal.

3.4.2 Four additional shovel-ready schemes

Foxton (Leics) WRC proposal

An on-site capacity expansion to handle flow from the new HMP Gartree "super-prison" development. The scheme will add roughly 50% more treatment capacity at Foxton WRC by constructing new secondary treatment units and associated final settlement, alongside integrating new phosphorus-removal stages to meet tightened AMP8 consents. A dedicated pumping station is being built within the prison site to transfer the additional flow to Foxton WRC. Expanding Foxton on-site is the most robust and cost-effective solution given the prison's fixed timetable and sudden load (equivalent to ~1,600 houses arriving at once). The existing works is too small to accommodate this new growth, risking permit breaches, flooding and surcharges if not addressed. By increasing Foxton's own capacity, rather than a complex multi-site transfer, we ensure compliance is maintained and avoids the higher expense and land constraints that an upgrade at the alternative site would entail.

Great Dunmow (Essex) WRC proposal

A major upgrade and expansion of the existing WRC, replacing and supplementing the undersized treatment process to accommodate a forecasted 80% increase in flow. The site's current aerobic granular sludge plant (built 2018) will not be able to deal with the additional load forecast, so the chosen solution will add activated-sludge capacity (new aeration lanes and secondary clarifiers) and upgrade the front-end and tertiary stages. This includes installing additional storm storage and flow-balancing facilities and tertiary filters to ensure treatment of final effluent quality under higher loads. Existing assets like primary settlement tanks will be re-used where possible to minimise cost. Great Dunmow WRC is subject to an EA enforcement notice due to dry-weather flow non-compliance and frequent storm overflows, a situation exacerbated by rapid housing growth in the catchment. Addressing current compliance issues will be dealt with separately and not funded by this investment. With up to 1,200 new homes in progress, a substantial process capacity increase is needed. Alternative options, like diverting flows to a different catchment are not viable given Great Dunmow's distance from larger works and the magnitude of upgrades those would require.

Langham (Essex) proposal

A targeted on-site treatment capacity increase to support new growth. Langham WRC is a rural works facing new housing growth in its catchment. The plan to build compact, additional treatment on-site was preferred over pumping flows to Colchester (the nearest large WRC), which would have required a long rising main and added operational complexity. The on-site solution keeps the upgrade footprint small, this is important given local community and parish council interest in the WRC's impact . The solution provides a balanced, cost-effective response, delivering the capacity needed for the upcoming growth.

Washingborough (Lincolnshire) proposal

Decommission the existing Washingborough WRC and pump its flows to Lincoln's regional treatment works (Canwick WRC). This off-site solution involves building a new terminal pumping station at the current Washingborough site and laying approximately 5 km of rising main to connect into the sewer network of Lincoln. Once the transfer is live, the old Washingborough works will be closed. Washingborough WRC is a small treatment works serving just a few hundred P.E; it has limited land and is close to sensitive environmental sites (the River Witham). Rather than expand this site for growth (which would yield only a ~9% capacity increase and still leave a very small works in operation), the more resilient and economic long-term solution is to route everything to Canwick WRC. By proceeding with the pump-away scheme we can eliminate a high-risk works, reduce operational costs and improve overall treatment outcomes. This approach is being coordinated with stakeholders to minimise disruption.

Each of these site solutions were chosen after detailed optioneering and with future capacity in mind. They represent the most appropriate, sustainable, and regulator-approved approaches to meet growth in their respective catchments, ensuring continued compliance and service for our customers.

3.5 Investment benefits

Ofwat assessment criteria: *Quantification of customer and environmental benefits, with clear links to performance commitment levels where relevant;*

The key investment benefit from this proposal is the unlocking of significant additional growth beyond that which was allowed for in PR24 Final Determination, supporting Government housing and regional economic priorities. The sites we propose in this 2026 Cost Change proposal include one growth scheme at a major strategic site (Flag Fen) which will help support national economic growth, and four schemes enabling housing delivery at pace within AMP8.

This is in addition to delivering the existing growth allowed in the PR24 Final Determination. We are also clear in this proposal that whilst our 2026 proposal prioritises investments where we have confidence that we can unlock necessary additional growth at pace, this is the first part of further additional growth investment that we will seek through future Cost Change processes to unlock further strategic growth in our region as further design and development work is completed.

For Flag Fen WRC the investment enables the waste water recycling centre to accommodate forecast population growth within the Peterborough catchment, ensuring continued compliance with legal obligations while maintaining service to existing customers. The scheme increases the site's biological treatment capacity, reflecting updated growth forecasts and revised treatment requirements.

The investment provides capacity that prevents deterioration in service performance as new growth emerges in the catchment. Without this intervention, increased flow and load would heighten the risk of flooding, service interruptions and non compliance with our legal obligations, leading to adverse customer and environmental outcomes and increased reactive expenditure.

The investment delivers environmental benefits. By providing additional primary settlement, biological treatment and final settlement capacity, the scheme enables continued compliance with treated effluent standards as incoming load increases, protecting the receiving water environment.

The solution has been developed using updated load data and optioneering to ensure that capacity is provided only where and when required, supporting cost efficiency and value for money for customers.

At Foxton WRC, the proposed investment delivers approximately 2,846 PE of additional treatment capacity to accommodate a non-phased inflow associated with the Gartree prison development. This capacity enables all committed growth at the site without breaching dry weather flow limits or exceeding process capacity. In doing so, the scheme avoids a material increase in the risk of permitted flow exceedance, pollution incidents and internal or external flooding that would otherwise arise once the prison becomes operational.

The Great Dunmow WRC scheme provides around 7,604 PE of additional capacity, representing an increase relative to existing treatment capability. By increasing process and hydraulic capacity, the scheme significantly reduces storm overflow operation and the likelihood of discharged effluent failing permit conditions under higher flow. Customer benefits arise through reduced environmental incidents and associated high-contact service events.

At Langham WRC, the proposed works provide approximately 2,513 PE of additional capacity to accommodate forecast local plan growth within the catchment. The scheme ensures that future flows remain within consented dry weather flow limits and reduces reliance on short-term operational interventions. By increasing hydraulic and biological resilience, the investment reduces the probability of storm overflow discharge and pollution incidents during wet weather events, safeguarding customers from service impacts associated with reduced treatment performance under growth conditions.

At Washingborough WRC, the investment enables approximately 355 PE growth through the strategic consolidation of treatment at a larger downstream works. The environmental benefit is material, as the scheme removes an entire small treatment works discharge from a sensitive receiving environment. This reduces long-term pollution risk and improves compliance resilience by treating flows at a larger WRC.

Collectively, these investments provide a substantial additional treatment capacity across the our region.

3.6 Customer engagement

Ofwat assessment criteria: *Investment proposals account for the views of customers (in line with the new consumer involvement rule). This may include engagement with expert consumer representatives, Consumer Council for Water (CCW) or through their Independent Challenge Group (ICG); Customer engagement to understand customer preferences for final options where appropriate and proportional.*

Customer insight from our State of the Nation Survey 2026[5] indicates that attitudes to population growth are best characterised as conditional support. Customers are not opposed to growth in principle, but are clear that it must be supported by timely infrastructure investment, particularly in water and sewerage systems.

Although overall sentiment towards population growth is mixed (38% negative versus 21% positive), the reasons for negative views consistently reflect concern that existing infrastructure is already under pressure and may not cope with additional demand. Pressures on water and sewerage systems, flooding and drainage, and impacts on rivers and the environment are among the most frequently cited concerns.

Importantly, when customers were asked what actions are most important to support growth, "water and sewerage systems improved before new homes are built" emerged as a top priority, selected by around three in ten respondents and ranking ahead of many other interventions. This priority is strongest among older customers, semi rural residents and those with heightened concern about environmental protection and flooding risk, groups that are often most sensitive to service reliability and environmental performance.

The survey also highlights that customers recognise the potential benefits of growth where it is well planned, including investment in new infrastructure, improved local services and economic opportunity. Almost half of respondents agree that growth can bring benefits such as greater investment in infrastructure and utilities, provided capacity is addressed upfront rather than retrospectively.

This is reinforced by responses directly relating to Anglian Water's role. When asked to rank priorities for supporting population growth, over 50% of customers ranked "making sure water and sewerage networks can cope before new developments go ahead" as the single most important action, well ahead of alternatives such as engagement with developers or longer term planning alone. Customers also emphasised the importance of avoiding future pollution, flooding and disruption by investing early rather than relying on reactive or piecemeal solutions.

Insight from Consumer Council for Water's (CCW) Water Voice customer panel[6] further reinforces the importance customers place on how growth is managed. In April 2026, CCW panel members identified population growth and pressure on infrastructure as one of the top three issues they wanted senior water company leadership to address directly with them during a CCW accountability session. This reflects the growing concern about whether existing water and wastewater systems can cope with increasing demand. This feedback demonstrates that customers expect proactive investment to support growth and protect existing customers from adverse impacts, and supports the case for accelerating targeted investment in Water Recycling Centre capacity where growth pressures are most acute.

Taken together, the evidence demonstrates that customers support us investing to accommodate population growth, particularly where investment:

- Is delivered ahead of, or alongside, new development;
- Ensures WRCs can treat increased flows without increasing environmental risk;
- Protects rivers and the natural environment; and
- Avoids placing additional strain on existing customers and communities.

This customer evidence provides a strong basis for our proposed growth related investment through the cost change process, including at WRCs, as a necessary and expected response to forecast population growth across our region.

5 See ANH-CC26-02
6 April 2026 transcript

4 Robust and efficient costs

The Growth Programme cost estimates have been developed using established, transparent and evidence-based cost methodologies. The approach is designed to ensure that option costs and the selected solutions are efficient, comparable, auditable and proportionate, and that they fully reflect the whole-life cost implications of meeting forecast growth and regulatory requirements.

Cost development follows a consistent methodology applied across our investments, supported by robust internal assurance, benchmarking, and governance.

4.1 Costing methodology

Ofwat assessment criteria:*clear and established methodologies used to derive costs for all options and the preferred option*

We follow a common cost development methodology across our enhancement investments in a four phase process:

Phase 1: Establish cost and carbon models

Standardised cost and carbon models are used as the baseline for scheme estimation. These models are:

- Informed by AMP7 outturn experience, ensuring they reflect recent delivery performance rather than historic or tender only data.
- Aligned with internal unit rate libraries, strategic alliance data, and industry benchmarks where applicable.
- Designed to capture direct construction costs, on costs, and embeded risk allowances, providing a full representation of total scheme costs.

This ensures consistency, transparency and comparability across schemes and options.

Phase 2: Input the cost drivers into the model (including location specific factors)

Scheme-specific inputs are then applied to the models to reflect location factors and growth drivers. Location-based data gathered for each scheme includes:

- Review of historic and forecast flow, informed by ONS growth projections.
- Assessment of Dry Weather Flow (DWF), FFT capacity, of the site which sets the amount of flow we would expect to come into a site for a given level of population and permit constraints.
- Evaluation of current site operability, available headroom, and connectivity to existing assets.
- Identification of site-specific requirements such as land take, power upgrades, and ancillary infrastructure.
- Consideration of construction constraints, including environmental designations (e.g. SSSI), access limitations, and ground conditions.

These inputs ensure that the cost estimates reflect the specific physical, operational and regulatory context of each site rather than applying generic assumptions.

Phase 3: Engineering Led Scope Definition

The scope of each growth solution is defined using a structured engineering assessment, ensuring costs are derived from clearly articulated asset requirements rather than high-level allowances.

Key elements include:

- Design and sizing of major construction elements (e.g. tanks, pumps, pipelines, inlet works, storm storage, treatment processes).
- Application of our standard design criteria, updated to reflect evolving regulatory and permitting expectations.
- Consideration of full works versus sidestream solutions, based on hydraulic and biological assessments.
- Each major work element is estimated individually using cost models, then aggregated to derive the total scheme cost. This bottom-up approach improves transparency and supports targeted benchmarking and challenge.
- This includes assumptions on the maximum infiltration rate over the whole year (Imax). Imax is a critical driver of cost because higher peak flow assumptions directly increase the required hydraulic and treatment capacity, influencing the size of tanks, process units, pumping

requirements, and overall scope. To calculate expected flows to the site from the additional population, we have adopted a standard Imax calculation using a 3.3 flow to population multiplier. The 3.3 factor represents an average across our recently permitted schemes and provides an average baseline for estimating future peak flows. The use of a consistent Imax assumption supports efficient option comparison and proportional cost estimation.

Phase 4. Data Validation, Challenge and Assurance

All growth cost estimates are subject to structured internal challenge and assurance, including:

- Cross-scheme consistency checks for similar assets.
- Review of high-value or atypical items against internal cost libraries.
- Independent challenge by the Cost Intelligence function.
- Formal QA records, version control, and audit trails within the cost management system.

Post-approval, scope and cost changes are tightly controlled, ensuring integrity of the final cost proposal.

4.2 Cost efficiency

Ofwat assessment criteria:*demonstration that the proposed costs for the proposed solution are efficient supported by benchmarking against: PR24 cost benchmarks (where relevant and available); Historical outturn costs for similar schemes (internal benchmarks); External benchmarks (where available); Competitive procurement; Third party assurance.*

In line with Ofwat expectations, all costs are tested for efficiency using a combination of internal and external benchmarks, reflecting the availability and suitability of benchmark data for different asset types and solutions:

- Internal benchmarking against historic outturn costs from delivered growth and FFT schemes.
- External benchmarking using TR61 data, where asset attributes are directly comparable.
- Whole-scheme efficiency testing using the PR24 econometric model.
- Independent internal challenge and assurance by our Cost Intelligence function.

Where costs fall outside benchmark ranges, the variance is:

- Explicitly identified,
- Supported by site-specific evidence (e.g. construction constraints, regulatory requirements, CDM impacts),
- Recorded through formal QA and assurance processes.

This layered approach avoids over reliance on any single benchmark and provides a more robust efficiency assessment.

4.2.1 Internal Historical Outturn Benchmarking from delivered growth and FFT schemes

The schemes were benchmarked against available historic growth and FFT outturn data. However, growth schemes delivered in recent AMPs have been predominantly small-scale site extensions and did not involve full sidestream solutions accommodating substantial additional flows. As a result, direct like-for-like historical comparisons are limited.

4.2.2 Whole Scheme Efficiency Testing - PR24 Econometric Model

We have used Ofwat's PR24 Growth at STWs cost model to cross check the efficiency of our proposed costs on a top-down basis where this model is appropriate. This model generates a cost benchmark based on three variables:

- Added capacity (population equivalent)
- Expected change in the Dry Weather Flow permit
- A binary (yes/no) variable for whether the ammonia permit will both a) decrease, and b) be less than 3mg/l.

For two of our proposed schemes, we consider that the Growth at Sewage Treatment Works model is not an appropriate benchmark:

- Washingborough - the proposed investment for this scheme is to transfer flow to a larger water recycling centre (see details of proposed investment section). This is materially different to increasing the capacity of an existing Sewage Treatment Works that the model is designed to estimate costs for.
- Peterborough (Flag Fen) - Whilst this is an onsite growth scheme, there are two particularly important reasons why the STW growth model is

not suitable for modelling the efficient costs of this scheme. Firstly, a key cost driver in the model is DWF permit change, however the key driver at this site is biological treatment capacity. As the permit change required for the site is zero, much of the capacity needed on the site is not captured by the model. Secondly, there are a number of site specific factors (including archaeological constraints, groundwater conditions and ground instability) that make this site significantly different to a typical growth scheme captured by the STW growth model.

For the remaining three schemes, the table below sets out how our requested costs compare with the STW growth model, showing the schemes to be in line with, or lower in cost than expected from the model.

Table 8 Data used for cost model cross check

Site	DWF change (m3/day)	Process capacity added (P.E)	Ammonia decreasing to below 3	Estimated modelled allowance £m	Requested allowance[a]	Different between model and requested
Langham	609	2,513	Yes	14.57	15.49	+1.02
Foxton (leics)	669	2,846	Yes	15.19	8.49	-6.70
Great Dunmow	2,600	9,856	Yes	26.88	24.15	-2.73

a This value represents the full estimated costs of scheme delivery for these 3 schemes only

Whilst the Growth at STWs model is not reflective of the Washingborough scheme, the PR24 transfers model (used by Ofwat to assess P-removal and sanitary parameters transfers) does present an applicable cost comparator with intuitive cost drivers of transfer length and volume of flow transferred. In the table below, we set out the cost drivers and modelled costs for the Washingborough scheme, showing our proposed costs to be significantly below expected from the benchmark model.

Table 9 Transfers cost benchmark

Site	Length of transfer (km	Transferred flow (m3/d)	Estimated modelled allowance £m	Requested allowance[a]	Different between model and requested
Washingborough	4.8	4320	8.53	3.93	-4.60

a This value represents the full estimated costs of scheme delivery.

The econometric tests support confidence in our cost efficiency for the four schemes for which there are appropriate PR24 cost benchmarks.

4.3 Justification for variance

Ofwat assessment criteria: *Where costs differ significantly from benchmarks, companies must provide evidence of scheme-specific or company-specific factors that justify the variance*

4.3.1 Explanation of significant outlier - Flag Fen (Peterborough)

Because the permit conditions are unchanged, Ofwat's cost-modelling approach does not recognise the need for this level of enhancement. In the regulatory econometric models, additional allowances are typically triggered by changes to the permit or step-ups in required performance standards. In the absence of such triggers, the model generates benchmark allowances that assume no requirement for major new treatment infrastructure. Consequently, Ofwat's modelled costs are materially lower than the investment required at Flag Fen, as the models do not incorporate site-specific growth pressures or the need to expand biological treatment capacity under a static permit.

Solution Scale and load-driven Asset Sizing

To meet the required Flow to Full Treatment (FFT) and ensure regulatory compliance at a future design population increased of 45,077, the preferred solution requires construction of large-scale treatment assets, including:

- New Primary Settlement Tanks (PSTs), with a total volume of 19,048 m^3, sized to receive 100% of incoming flow.

- A new Activated Sludge Plant (ASP) with a volume of approximately 25,344 m³, operating alongside the existing ASP, with flows split typically 60% existing / 40% new (and reversible during maintenance).
- New Final Settlement Tanks (FSTs), with a total volume of 15,466m³, sized to treat the increased FFT associated with growth and peak flow conditions.
- Large-diameter inlet and return pipework, including up to 1,200 mm diameter inlet pipes and 900 mm return pipelines, required to convey increased hydraulic loads across the site.

These asset sizes reflect the step-change increase in flow and load, rather than incremental growth, and are necessary to ensure that the WRC can operate within legal limits, avoid pollution incidents, and provide resilience over the planned design horizon.

Construction Complexity

In addition, Flag Fen WRC is delivered within a highly constrained and sensitive environment, which drives a level of enabling works and specialist construction activity that is materially above that assumed in typical econometric or historic benchmark models. These costs sit outside normal construction activity and are unavoidable to enable safe and compliant delivery.

Key complexity drivers include:

- Extensive archaeological constraints, requiring removal of approximately 50,000 m of topsoil to depths of up to 1.2 m in 100 mm layers under continuous archaeological supervision, significantly extending programme duration and cost.
- High flood risk and groundwater conditions, necessitating large-scale enabling works to reinstate working platforms, extensive de-watering, and ongoing recirculation throughout construction to maintain site operability and safety.
- Ground instability, requiring the use of screw piling for major assets (PSTs, ASPs and FFTs)
- Restricted operational boundaries
- Ground conditions are not optimal preventing battered excavations and driving the need for sheet piling, temporary works design, and constrained working methods.
- Prolonged critical path activities, with enabling and de-watering works extending over multiple months and directly impacting construction sequencing and labour intensity.

The resulting solution therefore represents a major infrastructure intervention, rather than a small extension, with construction complexity driven not only by asset scale but also by the need to integrate these large structures within a highly constrained site footprint. This combination of large asset sizes, high flows, and constrained delivery conditions substantially increases construction, temporary works, and enabling requirements and explains why the Flag Fen scheme sits at the upper end of the cost range when assessed against econometric and historical benchmarks.

4.4 Cost breakdown

Ofwat assessment criteria: *For claims in 2026, we ask companies to provide a high-level breakdown of the components of the total cost of the scheme, and we may issue queries to understand this further if required.*

The table below summarises the capex and opex costs for delivering the scheme at each sites. Alongside our proposal we have also provided a detailed cost breakdown for each of these schemes see [7]. These represent the total scheme costs; in our proposal we have removed some costs reflecting allowances either in AMP7, or in PR24 enhancement allowances. These reductions are reflected in the table below:

Table 10 Scheme costs for additional AMP8 investments

ID	Title	AMP8 capex	PR24 FD allowance £m	Spend to date £m	Additional AMP8 capex £m	Additional AMP8 opex £m
I047678	Washingborough WRC	3.932	N/A	0.753	3.179	0.006
I047688	Langham (Essex)	15.485	N/A	0.392	15.093	0.124

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ID	Title	AMP8 capex	PR24 FD allowance £m	Spend to date £m	Additional AMP8 capex £m	Additional AMP8 opex £m
I0047693	Foxton (Leics)	8.486	N/A	0.589	7.897	0.082
I047695	Great Dunmow	24.152	N/A	1.597	22.555	0.238
I047698	Peterborough (Flag Fen)	83.775	9.000		74.775	0.983
	Additional AMP8 allowance requested				**123.5**	**1.434**

The full, scheme level cost breakdowns underpinning the Growth Programme estimates are provided in the ANH_CC26_14. These include detailed asset level costs, location specific adjustments, on costs and overheads for each individual scheme, ensuring full transparency and auditability of the submitted costs.

5 Customer protection

5.1 PCD design

As there is an established PCD for STW growth (PCDWW27), we have updated this for our WRC growth cost change proposals. Our WRC growth cost change proposals include a mix of sites which are:

- already included in PCDWW27, which we have retained in the PCD with increases and updates in/to the capacity, permit data and costs to be returned to customers in accordance with our request; and
- completely new to the PCD - which we have added in as additional lines with the relevant additional capacity, permit related data and allowance information in accordance with our request.

In updating the PCD, we have updated the 'Other adjustment factor' to reflect the CMA's decisions to remove our PR24 FD under delivery adjustment in this area and to apply a frontier shift of 0.7% p.a.

Wider conditions associated with the PCD are unchanged, including the approach to under-delivery incentives and the potential for time incentives. In particular. we would expect the non-delivery expenditure threshold of 60% to apply to these additional growth schemes, such that the non-delivery clawback will not be applied until 2035 if we have spent at least 60% of the allowed expenditure [8]. The detail of our proposed PCD is set out in ANH_CC26_17 PCD Technical Annex

8 See Ofwat, Price control deliverables guidance, February 2026, p. 5

6 Investment delivery plan

6.1 Delivery risk landscape

Deliverability risks for the additional WRC growth proposals are assessed to be low. This is achieved partly through the design of the proposed programme. Our existing AMP8 programme of WRC growth requires investment at 63 sites. Our cost change proposal, although a c.20% increase in P.E capacity on the existing programme, adds only four more sites. This approach of focusing further investment in a small number of key sites supports deliverability of the overall programme.

The scope of our WRC growth schemes tends to be a limited set of solutions which we deliver regularly, to meet both growth and quality enhancement drivers. Our cost change proposals represent a scaling up of work we are familiar with and the supply chain has delivered before. The scope and nature of the site improvements mean the risk of lack of appropriately skilled resource is low.

Key delivery risks we have identified are the site-specific nature of the improvements and the local interfaces with adjacent investments, such as local sewer network improvements (e.g., Langham) and sludge treatment centre investment (e.g. Peterborough). There is the potential for delivery constraints as we seek to minimise local customer impacts through considerate traffic management.

Where we see further delivery risk is at the interface with external third parties, such as planning bodies. One example is at Peterborough where activity is constrained by SSSI designations as to what construction can be achieved when. We anticipate needing planning permission and a full Environmental Impact Assessment for our plans at Peterborough and this is being actively managed. Since Peterborough was part of the PR24 growth plan, there is little additional delivery risk at the site caused by the uplift in capacity we propose in this proposal.

6.2 Risk Mitigation

Our risk mitigation strategy revolves around active communication with our supply chain, third parties whose inputs are needed for successful delivery, and with other stakeholders.

For AMP8 delivery, we began our engagement with the supply chain through the second half of AMP7 on the large and varied programme of growth investment we anticipated. We have more recently tested with supply chain responsible for delivering growth and quality drivers the appetite for this additional scope of work in this cost change proposal. We plan to contract most of the work through the @one alliance. Solutions are currently being designed by our in-house team.

An example of managing risk through communication with third parties is at Foxton where there is the request from UK Government to expedite additional prison capacity. We will phase the growth investment programme to deliver on the requirements at Foxton as early as practicable, but we expect the material increase in capacity at the site to require upgrades to the power supply. We are therefore investigating the power supply needs and setting realistic expectations in our communication with the prison authorities.

We have outlined above the proactive engagement we have undertaken with the Environment Agency and Defra's Water Delivery Task Force to play our part to facilitate the government's growth agenda, particularly at Flag Fen. The investment required at Flag Fen is material, and we are doing all we can to deliver within the AMP8 window through proactive engagement and preparation. With the environmental constraints and planning needs, Flag Fen is likely to be the most challenging of the growth schemes to deliver by 31 March 2030. We welcome the flexibility that Ofwat has built into its approach such that, subject to assurance of substantive delivery by the end of AMP8, Ofwat will allow the remaining costs to complete the scheme in AMP9 without penalising us for late completion. Within this protection mechanism, we are confident of being able to deliver the programme as a whole.

6.3 Reporting on delivering the plan

We will incorporate the additional investment in WRC growth schemes agreed with Ofwat into our Delivery Plan. Reporting progress against the revised plan will form part of our AMP8 reporting process alongside the existing AMP8 investments and will form an important aspect of the annual assurance process.

7 Assurance

Our cost change proposals have been subject to independent technical and commercial assurance by Jacobs, undertaken in accordance with ISAE (UK) 3000 standards using a risk-based, sample-tested approach. Across both reviews, Jacobs concluded that they identified no material misstatements or issues, and that the our methodologies are structured, comprehensive and robust. The cost estimation approach was found to appropriately combine historical data, benchmarking and professional judgement, with clear governance and review processes in place.

From a technical perspective, Jacobs confirmed that the investment proposals are based on clear engineering rationale, supported by sufficient and convincing evidence, and aligned to Ofwat's requirements, including deliverability, customer benefit and need for investment.

Taken together, this independent assurance provides strong confidence that the proposals are robust, evidence-based and suitable for regulatory submission. Jacobs reports can be found at ANH_CC26_05 Commercial and ANH_CC26_06 Technical.

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