



Our Ref: OM/LS  
Your Ref:

Sent by email: Ofgem [RIIO3@ofgem.gov.uk](mailto:RIIO3@ofgem.gov.uk)

10 February 2025

Dear Sir/Madam

Thank you for the opportunity to respond to Ofgem's call for evidence on the RIIO-3 business plans. This response is submitted on behalf of South East Water and particularly focuses on the area of regional costs pressures.

South East Water is a water-only company which owns and operates the water supply system across three operational regions in the south of England: the Western region, Sussex and Kent. These operating areas are shown in grey on the map below.



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As a regulated utility provider responsible for operating, maintaining and upgrading water infrastructure, we share some similarities with the Gas Distribution Networks (GDNs) – for example, in the types of labour, plant and machinery we employ to deliver our services; and in some of the legal requirements which we are required to meet when undertaking works.

We have observed that those GDNs operating in London and the South East (particularly SGN and Cadent) have put forward evidence on specific cost pressures which they face as a result of operating in this region. We have not, in the time available, undertaken a comprehensive assessment of the evidence and plans. We note, however, that the trends and factors identified are broadly consistent with our own position, as would be expected given the overlap in our operating areas. We face similar incremental cost pressures to those identified by SGN and Cadent.

Like them, we anticipate a particular challenge in securing contract labour – with demand for new infrastructure high and increasing, and the supply of labour somewhat constrained (e.g. following Brexit and the Covid 19 pandemic). There is significant competition for the same labour across the utilities sector as a whole, taking into account investment plans across gas, electricity, telecoms and water.

We are operating in a region where wages are among the highest in the country, reflecting regional disparities in elements of the cost of living. Further, we are increasingly observing contractor labour in our operating regions which is travelling in from other parts of the country – requiring compensation for incremental costs such as travel and accommodation, and effectively creating competition for labour which could otherwise attract ‘London wages.’ SEW has also experienced challenges arising from changed consumption patterns following the Covid 19 pandemic. The South East in particular is a commuter area but following the pandemic many in our region are spending more time working from home as opposed to commuting to London during the week.

While the specific cost pressures and challenges for water companies will of course differ, the generally constrained supply chain is a factor which we believe is driving up costs for all utilities and particularly those operating in the South and South East.

We do not consider this response contains any confidential information and are content for you to publish it on your website.

Yours faithfully,



Oliver Martin  
Regulation and Strategy Director

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