

Mr Kip Meek
Chairman
Water Price Control Redeterminations
Competition and Markets Authority
The Cabot
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London
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Date: **15/05/2020**

Copied to: Dr Andrea Coscelli CBE, Chief Executive of the Competition and Markets Authority

Dear Mr Meek,

Redetermination of the Anglian Water 2020-25 Business Plan

We write to you in relation to Anglian Water's appeal to the Competition and Markets Authority (CMA) to carry out a redetermination of the 2020-25 Business Plan following the recent Final Determination made by Ofwat.

Representing the Local Authorities across the East of England, the purpose of the panel that I chair is to provide direction on infrastructure and growth activities. We fully understand the need to balance the bill payer's contribution against the need to fund sustainable infrastructure. In our view the balance proposed by Anglian Water is the right one and evidently supported by in-depth customer research.

Anglian Water's Business Plan sets out a range of activities to support sustainable growth, accounting for the needs of existing and future business, enhance resilience to drought and flooding and improve the health and quality of our region's natural environment.

While Covid-19 has created uncertainty in future forecasts we know that population growth and addressing unmet housing need is a long-term issue that must be addressed. Therefore, we do not support Ofwat's use of ONS households projections data, which in our view significantly undershoot planned growth. Ofwat's approach is not aligned to that of the Government or to Local Authorities, whose plans for growth are rigorously tested to ensure that they are deliverable.

The level of water bill reductions, if enforced by Ofwat, will not allow for the full range of necessary infrastructure investment to support this growth. As such we believe that the expectation of a 10.5% reduction in water bills, leading to a funding gap of £744 million for the business plan period, set out by Ofwat, could have a negative impact on the East of England.

We believe that upholding Ofwat's Final Determination will lead to:

- An inability to deliver the infrastructure needed to support sustainable growth due to funding reductions

- Inability to deliver the leakage target within the Business Plan
- Risks the timely delivery of the new strategic pipeline leading to reduced ability to move water from wetter to drier areas of our region in times of drought
- Increased risk of asset failure due to reduced allowances for maintenance
- Inability to accommodate plans for natural capital enhancement such as reducing abstraction and improving river water quality, in relation to climate change mitigation.

We would urge the CMA to review the merits of Anglian Water's Statement of Case in relation to the outcomes of the extensive customer engagement that has been carried out during development of the 2020-25 business plan.

It is our view that a redetermination of Anglian Water's 2020-25 Business Plan that allows for the level of investment and expenditure set out to achieve its strategic aim would lead to significant benefits for the people, economy and natural environment of the East of England

Yours sincerely,

Councillor Linda Haysey
Chair of the East of England Infrastructure and Growth Panel
Leader of East Hertfordshire District Council

