

Helen Golightly
Chief Executive
North East Local Enterprise Partnership
1 St James' Gate
Newcastle upon Tyne
NE1 4AD

27th May 2020

Dear Sir/Madam,

Letter of support for Northumbrian Water's submission to the Competition and Markets Authority

I am writing on behalf of the North East Local Enterprise Partnership in support of Northumbrian Water's request to the Competition and Markets Authority (CMA) to review Ofwat's final determination of the 2019 price review.

The proposals in Northumbrian Water's Business Plan for 2020-25 were developed following a comprehensive programme of consultation and engagement with their customers. The customer engagement process was supported by the independent Water Forum, who have welcomed Northumbrian Water's commitment to reflecting the views of their customers during the development of the business plan.

Water bills in the North East are already among the lowest in the country, and the proposals in Northumbrian Water's business plan would deliver an additional 15% reduction, while increasing investment in measures to improve infrastructure to protect against the impacts of climate change and severe weather events. We welcome Northumbrian Water's commitment to eradicate water poverty in the North East by 2030, and their establishment of the UK's first Water Poverty Unit.

These proposals received support from 91% of Northumbrian Water's customers. During the engagement process, the independent Water Forum reported strong support for the measures to balance a reduction in bills in the short-term with the need to invest in resilience for the benefit of current and future customers.

Ofwat's final determination rejected Northumbrian Water's proposals for investment in managing the impacts of climate change and urbanisation which has led to an increase in sewer flooding in the North East. Protecting against flooding resulting from extreme weather events is a priority for our businesses and residents given recent experience in parts of our region, and we believe that the CMA should overturn this decision.

More broadly, Northumbrian Water have shown a strong commitment to working in partnership with businesses and organisations in the North East to grow the economy and create more and better jobs. The North East Local Enterprise Partnership has supported Northumbrian Water's annual Innovation Festival, which brings together regional businesses to collaborate on innovative ideas and promote innovation in the water sector and beyond, and we are jointly supporting the Water Hub at Durham University which is a collaborative structure aiming at solving water system challenges and supporting regional growth. Northumbrian Water have also provided significant support for our North East Ambition project, which aims to improve careers advice in schools and colleges across the

region and are working with us to support exploration of the potential of geo-thermal energy. These are important projects which reflect a wider commitment to our region and our communities

This valuable support is made possible by a stable and sustainable business plan, which balances the need to deliver an affordable and reliable service to residential customers and businesses, increase investment in responding to the threat of climate change, and promote the growth of a successful regional economy. Ofwat's determination puts this at risk, and reduces the ability of Northumbrian Water to make long-term, financially sustainable decisions.

During the ongoing Covid-19 pandemic, Northumbrian Water have put in place measures to support vulnerable customers and those struggling to pay their bills. Over 3,000 Northumbrian Water customers in the North East are receiving a payment break, and 2,000 customers have been moved to a social tariff to lower their bills.

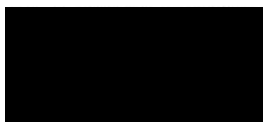
The company has invested in additional equipment and technology to enable staff to work from home. Some staff have been supported to volunteer to help the community while remaining on full pay, and Northumbrian Water has provided £250,000 of in-kind support through volunteering during the crisis.

As we put in place our plans for the regional economic recovery, Northumbrian Water's commitment to spend at least 60p in every £1 with local suppliers will have a significant positive impact across the North East. The benefits of this policy will reach beyond those companies in the direct supply chain.

Some planned infrastructure improvement works and construction projects have been delayed by the Covid-19 pandemic. Charitable trusts that have worked with the Environment Agency on flood alleviation projects have reported concerns about future funding commitments from the government in this area due to the focus on economic recovery. Therefore, it is important that organisations such as Northumbrian Water, who have detailed and costed plans for flood alleviation works in their business plan, are allowed to progress with these plans as quickly as possible.

Residents and businesses in the North East expect Northumbrian Water to have a long-term plan for investment in infrastructure and flood resilience in order to mitigate the threat of climate change. The final determination made by Ofwat does not support this objective and introduces an unacceptable level of financial risk. We ask that you consider redetermination with these points in mind.

Yours faithfully,



Helen Golightly
Chief Executive
North East Local Enterprise Partnership