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By email to: [waterdetermination2020@cma.gov.uk](mailto:waterdetermination2020@cma.gov.uk)

23 October 2020

Dear Kip,

### **Water Forum's Reflections on CMA's Provisional Findings**

The Water Forum has, as part of our ongoing and strong commitment to providing independent challenge that ensures the needs and aspirations of Northumbrian Water Ltd's customers are reflected in the Company's business plan, reviewed the CMA's Provisional Findings (PF) issued on 29 September.

I'd like to extend my thanks to the team at the CMA for the thorough deliberations and investigations done thus far in reaching the PF. The role of customers and their views in the PR19 process has been acknowledged and has clearly underpinned some of the findings.

We are extremely pleased to read that the PF includes enhancement funding for the Abberton to Hanningfield scheme in Essex – this was part of an approach, robustly supported by customers, to take action to improve future resilience of water supply in the region.

It is underpinned by the overarching customer perspective, illustrated in the customer engagement insights in the Company's Business Plan and indeed the Water Forum's PR19 Report, that lower bills were welcome, but should be balanced by investment in improved future resilience and that customers were willing to forego an element of the potential bill reduction in this price control period to help achieve this.

We remain concerned that the scheme to reduce the risk of internal sewer flooding in the North East of England is in jeopardy. Our understanding was that the aim of the scheme was to deliver a step change in customer outcomes, over and above funded business as usual activity – which is why there was a separate Performance Commitment proposed to support its delivery.

An incident of sewer flooding in the home is a truly awful experience for any household, and around 7400 homes in the North East were to benefit from the proposals. Before the CMA concludes the upcoming stage of its process, we therefore urge the team to further challenge the Company to fully

explain why it deems the scheme necessary, above and beyond business as usual, and whether and how it will be able to tackle the challenge that the scheme was intended to overcome.

Our final reflection on the current process concerns customers' desire for stable bills, as clearly articulated in the Company's engagement research. It is in customers' interests that the CMA process is swiftly and effectively concluded so that financial challenges are not being stored up for customers' bills later in the 2020-25 period. This would be important at any time but has additional significance in the context of the Covid-19 pandemic and its ongoing and growing impact on the economy.

The other elements of the PF fall outside the Water Forum's remit, so we are not in a position to comment on the changes to the key financial determinations contained within it, such as WACC.

Looking ahead, we conclude our reflections by coming back to the issue of customer engagement. We have seen, and Ofwat has acknowledged, that industry delivered a step change in quality of customer engagement in PR19 compared to PR14. We look forward to the Company working with the Regulator during PR24 to make further advances, and to the Water Forum's role in supporting this evolution.

We remain available to answer any further questions that the CMA wants to explore, should the need arise.

Yours sincerely,

Melanie Laws

Independent Chair, Northumbrian and Essex and Suffolk Water Forum