

Matt Bratton
Regional Director, North East and Cumbria
CBI, Orega Suites, 2 St James' Gate
Newcastle upon Tyne, NE1 4AD

16 April 2025

Competition and Markets Authority (CMA)
The Cabot, 25 Cabot Square
London, E14 4QZ
(Via email: waterPR24references@cma.gov.uk)

To whom this may concern,

As Regional Director for the CBI in the North East of England I would like to add my support to Northumbria Water Group's Statement of Case in relation to the Competition and Markets Authority (CMA) re-determination of their business plan.

Founded 60 years ago and representing some of the biggest names in business, household brands and globally traded corporations that employ people in all sectors and across every region and nation of the UK, the CBI is the voice of business. The CBI represents 850 members who themselves comprise 1,100 separate registered companies and 150,000 trade association members.

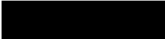
We value the role of the CMA as an independent body in the re-determination process of PR24. Having reviewed Ofwat's Final Determination (FD) and Northumbria Water Group's subsequent referral, we support the arguments outlined in Northumbria Water Group's submission to the CMA regarding its 2025–2030 Business Plan. Northumbria Water Group serves over two million customers and plays a uniquely strategic role in the North East of England, Essex, and Suffolk's economy. It is vital that the PR24 process ensures proportionality and enables the necessary investment to support long-term infrastructure needs, environmental goals, and high-quality service for customers.

We share Northumbria Water Group's concern that the FD does not strike an appropriate balance between risk and return—one that is essential to attracting the level of investment needed to deliver on regulatory expectations. This imbalance poses a possible risk to the companies' ability to invest in long term sustainable infrastructure projects and the regions resilience.

A few points we would like to make for the CMA to consider over the coming period in their deliberations:

Rebalancing risk and reward within the FD is critical to maintaining the sector's long-term investability.

- Northumbria Water Group competes in a global market for capital. A key concern with the FD is that it undermines investor confidence by failing to offer a fair and balanced risk-return profile. Without a stable and attractive regulatory framework, Northumbria Water Group will face significant challenges in securing the equity needed to deliver its ambitious investment plans.

- 
- The company plays a critical role in supporting economic growth across the North East, Essex, and Suffolk—meeting the infrastructure demands of rapidly growing communities and delivering essential environmental resilience. The current settlement puts this at risk, particularly for investment needed for Northumbria Water Group to address climate-related challenges—such as strengthening power resilience in response to the increasing frequency of storms in the region.
 - More broadly, sustainable economic growth—both regionally and nationally—relies on the expansion of water and wastewater capacity. Asset Management Plan Period 8 (AMP8) must mark the beginning of a sustained, multi-decade programme of infrastructure renewal. However, industry benchmarks indicate that water sector investors are being asked to accept lower returns and higher risk than in comparable UK and global infrastructure markets.

Asset health and resilience remains a sectoral concern.

- The sector has consistently raised concerns that Ofwat's approach to capital maintenance funding is contributing to deteriorating asset health. This has direct implications for the resilience of infrastructure and the reliability of service to homes and businesses. Bringing capital maintenance funding in line with levels seen in comparable sectors, such as manufacturing, is critical to safeguarding long-term operational performance and public trust.

The number of referrals should be seen as a signal of significant sector-wide misalignment that threatens to undermine the delivery of essential outcomes.

- Northumbria Water Group is one of six major companies—representing the majority of water customers in England—to have referred their PR24 determinations to the CMA. This collective action underscores broader, systemic concerns across the industry about the feasibility of Ofwat's expectations and the long-term sustainability of the regulatory framework.

PR24 represents a pivotal moment for the UK water sector—an opportunity to secure long-term resilience and unlock the private capital investment essential to futureproofing services such as those provided by Northumbrian Water. The CBI recognises the importance of balancing affordability for consumers with the critical need for sustained investment to drive service improvement, environmental responsibility, and innovation.

However, we believe the current Final Determination does not sufficiently reflect the sector's strategic role or the unique challenges it faces in supporting regional and national growth. As such, we support Northumbria Water Group's decision to refer the determination to the CMA and encourage a thorough and balanced review of the case they have put forward.

Please don't hesitate to get in touch if any further clarification would be helpful.

Yours sincerely



Matt Bratton

Regional Director, North East and Cumbria

matt.bratton@cbi.org.uk

+44 (0)7817 799 181