

Northumbrian and Essex and Suffolk Water Forum (Independent Challenge Group)

Submission to the CMA regarding Water PR24 price redeterminations with reference to Northumbrian Water

21 April 2025

Thank you for inviting a submission to your deliberations from the Water Forum, which is the Independent Challenge Group (ICG) for Northumbrian Water.

The Water Forum's involvement in the PR24 process focused on providing challenge to the Company so that it could aim to provide the best possible Business Plan for customers. To do this, we made challenges to three iterations of the draft Business Plan – in June, July and at the end of August 2023. We submitted our final report, with annexes, to the Company in September 2023. We made it clear that we would not produce a further iteration of the report in response to the final Business Plan submission to Ofwat, as by that stage our opportunity to challenge the draft Plan would have passed. We say more about the timing and what we did and did not do, below. To be able to fully reflect on the positive impact that our work had, we await the conclusion of PR24, including the outcome of the CMA referral; however, in the contents of the final submission, we can clearly see that we had an impact.

In terms of process, for us to maximise the effectiveness of our work and input to meet the changed (and less prescriptive) regulatory requirements for challenge during PR24, we evolved our approach compared to the previous Price Review.

This began in 2021 – we wanted to address issues that Ofwat had with the industry regarding ICG input into PR19, so we reviewed and reflected on how we might operate in future. Alongside this, the Company conducted an independent review of its Customer and Stakeholder engagement. Using these two inputs and taking into account a new direction of travel signalled by Ofwat, the Company proposed revised Terms of Reference for the Water Forum. We reflected on these, made changes and further strengthened them in the light of the report published by the Consumer Council for Water (CCW) in February 2023, 'Influencing Without Power: A review of independent challenge groups in the water sector'.

In summary, the two key strands of our activity in respect of PR24 were:

- Commenting and challenging on Business Plan development (and ongoing delivery).
- Providing challenge and an assurance report about customer engagement.

There was strong continuity from PR19 through PR24 in terms of both the blend of expertise within the Water Forum's key membership and the actual members themselves.

We had a blend of regulatory body representation, from bodies such as Consumer Council for Water (CCW) and the Environment Agency, as well as independent members. To meet our changed Terms of Reference, we worked collaboratively with Northumbrian Water to enhance our activity, independence and output. We:

- Established a Customer Engagement Panel (CEP) as a sub-group of the Forum – the CEP Chair, appointed in September 2022, was Nikki Stopford from Consumer Voice. She was joined by Barbara Leech from CCW and Karen Cooper from Living Brands. Their focus was the Company's customer research and engagement programme for the Business Plan, providing comment and challenge on the quality of the activity and how it was interpreted and applied.

- Appointed an Independent Technical Advisor (ITA), Martin Silcock, to act on our behalf in scrutinising the emerging Business Plan and advising Water Forum members on the degree of stretch it contained in terms of outcomes, Performance Commitment Levels (PCLs), Outcome Delivery Incentives (ODIs), Enhancement Cases and efficiency and innovation. Martin's significant industry experience provided valuable insight, input and challenge throughout the period from January 2023 until the submission of his report in September 2023
- Reinforced an independent Secretariat to provide administrative support to the Water Forum.

During the preparation of the Business Plan, we met very regularly, both with the Company and as a Water Forum. We commended the Company for the open and transparent way it approached challenge and scrutiny, acknowledging that it was neither an easy nor a comfortable process for them; and for its investment in time and resource in this area in an endeavour to create a better Business Plan.

The Water Forum's report is attached and was submitted to the Company in September 2023. Also attached are the following:

- The annexes to our report:** the ITA's report, the CEP's report, the Water Forum's Terms of Reference and the Challenge Log, which details the challenges made by the Water Forum and how the Company responded to them. The documents should be read as a suite of complementary inputs made to the Company at a point in time which was considered optimum for the type of work we were doing (particularly the Water Forum report and the annexes from the ITA and CEP). In sharing them with the Company we made an important caveat: *'If, inadvertently, there are inconsistencies in the comments made by different experts, the Company should guard against choosing which view it listens to, as this may unintentionally affect the extent to which the Plan listens to and meets customers' needs'*. This alludes to the time challenges we faced as a part-time group; and aimed to underline that ultimately, it was for the Company to determine how its final Business Plan best met the needs of its customers.

The timing of the submission of our final reports had to strike an appropriate balance between leaving it as late as possible to be able to cover the maximum amount of ground, yet early enough for it to be of practical use.

The Company aimed to make available for challenge and scrutiny as much of its work as possible and had hoped to have everything finalised by the time we needed to submit our reports; but it became clear there was likely to be residual work still needed, including in response to some of our comments and challenges. The Business Plan therefore had additional inputs after our reports were submitted, and over time, on which we did not comment – for example additional work on service reservoirs.

Karen Cooper, from our CEP, did get involved in the Company's further customer engagement work, particularly around the Draft Determination (DD), which we had encouraged.

b. A copy of the short submission that we made to Ofwat following its DD.

The time available for any Water Forum input into the DD was short, not least because we wanted to understand the implications both from our own reading of it and to hear the Company's perspective. And the resource available was limited due to availability and changes in Water Forum membership. Our high-level response: did not include

input from Martin Silcock; did have input from Karen Cooper, but the other two members of the CEP left in September 2023.

We trust that the Water Forum's report and its annexes, and our statement to Ofwat on the DD will be useful for your deliberations. Ideally, our reports **should be read individually and together** as they paint an overall picture. However, for ease of reference the following signposting should take you to some of the key points of our reports relevant to Northumbrian Water's Statement of Case. We hope this is helpful, and that, in signposting, we have not omitted anything that might be of assistance or relevance to you.

Document	Pages	Content area
Water Forum main report	3-11	General summary including our approach and key challenge questions
	12-13	Does the PR24 Plan fit in with the Company's long-term plan?
	14- 17	Affordability
	17-19	Resilience
	20-22	Climate change resilience
	22-24	Outcomes, PCs and ODIs
	24- 25	Large investment proposals
	27-29	Efficiency and Innovation
ITA's report	3-8	Key points and overall approach
	5-9	Context for Northumbrian Water's PR24 Plan and report structure and its limitations
	9-13	Thematic findings: Performance Commitments in the round; National Leader Assessment
	13	Consistency with long term strategy
	14-15	Customer research
	15-16	Overall efficiency challenges
	16-17	Regulatory efficiency assumptions
	19-21	Enhancement cases and costs (Four draft enhancement cases were made available for review including those covering investment in civil structures at WTWs and renewal of water mains)
	21-23	Cost pressures; ODI rates
	23-25	Mains replacement and asset health (note: further work was carried out in this area, particularly in respect of service reservoirs, which the ITA was not involved in)
	27-28	Shareholder contribution
CEP's report	All	This assurance report should be read in its entirety

We remain available for any clarifications of key points from our work that relate to the Company's Statement of Case should the CMA require them.

Melanie Laws, Chair of the Water Forum for PR24