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NORTHUMBRIAN WATER LIMITED 2025-30 DELIVERY PLAN

August 2026

INTRODUCTION

In this critical moment for the water sector, our Business Plan for 2025-30 is our most ambitious ever – enabling step changes in service performance for our customers, making real progress against wider national challenges and meeting new obligations such as to further reduce spills to the environment, pollution, leakage and improve resilience to climate change. Accordingly, our plan sets out the largest investment programme we have ever delivered. In 2025-30 we will be investing over £6bn, comprising more than £4bn of capital investment required to drive real improvements for customers and the environment. To support this investment programme our shareholders have already provided £400m of new equity capital.

The purpose of our delivery plan is to track and enable greater visibility of delivery of this programme. This large investment programme has already meant increases in customer bills in 2025 and 2026, and will mean further increases in the future. Our customers say they still trust us to do this (our trust scores are among the highest in the sector, and have improved since 2024), but across the water sector as a whole, trust is still falling. We want this report to help to show customers where our investments are being made; where our key challenges and risks are; and how we are making progress with delivery.

Out of 33 investment areas tracked in our plan[1], 23 currently have a "green" status from both us and our auditors, indicating on-track delivery. We have flagged **three** areas as amber, where we have identified risks to delivery which we are addressing. This reflects:

- Delays to our **Linford borehole scheme**, which we reported in our previous delivery plan.
- A revised deadline for our **Trimdon phosphorus removal scheme** under WINEP, and we ask Ofwat to change this PCD to reflect the updated target from the Environment Agency (see page 24).
- Increased requirements for our **wastewater investigations** programme, which we are working with the Environment Agency to resolve. Our auditors have rated this area "red" until there is an approved methodology change.

There are five other investment areas where our auditors have flagged these as "amber". These are:

- **Water mains renewals** (for both the asset health and enhancement leakage areas) – although we have a recovery plan and we are confident that there are no significant risks to delivery, the auditors could not rate this as "green" without seeing further details. Their report confirms that they would expect this to return to green when this information is available.
- **Lead replacement** (for the internal and external schools measures) – although our forecast still shows full delivery, the auditors rated this "amber" to reflect our own acknowledgement of the challenges of identifying sufficient candidate schools that still require lead replacement. Their report confirms that they would expect this to return to green once a detailed pipeline of work can be confirmed.
- **Storm overflows** – although we expect full delivery of this PCD, our assurance provider rated this "amber" to reflect the backloaded profile until our recovery plan becomes more mature and we can address the delivery shortfall (in Year 3 and Year 4). The assurance provider commented that *'Full delivery of Storm Overflows is currently forecast with headroom, and the Amber reflects a back loaded profile and outstanding reconciliation rather than an expected shortfall'.*

[1] Not including three "blue" investment areas, where we are waiting for PCDs to be removed.

There are two investment areas where specific schemes are no longer required in the 2025-30 period, and where we expect to apply to Ofwat for additional schemes to be substituted in instead (as we are able to do under the PCD rules). However, as we have not yet applied for these substitutions, the auditors rated these areas as "red":

- **Reservoir safety** – for our Hanningfield and Whittle Dene schemes, further investigations are required in the 2025-30 period which means that we no longer expect delivery to begin until after 2030. We have identified two further reservoirs which require attention more rapidly, and that can be completed by the end of AMP8 and we intend to seek a change control to the programme to swap these two sites for those in the current plan.
- **Growth at wastewater treatment works** - two of our planned schemes (Aldin Grange and Browney) are no longer needed as growth has not materialised in these catchments. Our updated growth forecasts show that investment is likely needed elsewhere and so we expect to replace these schemes, but we are not yet in a position to formally put forward a change.

We plan to put forward a formal change control request in our November 2026 delivery plan submission for reservoir safety, and in the 2027 cost change process for wastewater treatment growth. The auditors have confirmed that they have assessed these as "red" against the formal PCD because these substitutions are not yet reflected in an approved baseline change, rather than concerns about delivery.

We also acknowledge that the level of investment made in year 1 of the 5 year period (2025-26) has been less than we assumed in our business plan – meaning that more investment will happen later in the period. From page 8, we describe the challenges that have led to this slower start, and how we are addressing them.

PREPARING FOR 2025-30 DELIVERY

Our capital investment plan for 2025-30 is more than double the size delivered in previous periods, and our enhancement programme in particular is five times the size - this requires us to transform how we operate. Our change programme commenced in January 2023 and has allowed us to give earlier visibility of our pipeline of work to our supply chain partners through our 'Living Water Enterprise' delivery model. We also accelerated investment in 2022-25 to enable us to hit the ground running when the new five year period started. Overall, this process sought to more than double the supply chain capacity we had, and our LWE added over 30 new supply chain partners to provide capacity to deliver over c.£700m of these types of schemes a year compared to around c£300m previously.

We seek to maximise the economic contribution to our regions, as well as the wider public value we can contribute. In 2025/26, we spent 60.88p in every £1 with suppliers based in our operating regions (meeting our own target).[2] In 2021/22, we began measuring the impact our supply chain has on the local economy. This report shows that we expect our AMP8 investment programme to support around 3,000 jobs across our supply chain and the wider economy, and contribute approximately £5.7bn to the local economy. This means that our investment is not only improving assets and services, but also supporting employment, skills and economic activity in the regions we serve.

We have integrated social value into our tendering processes, driven by our responsible procurement strategy (which we launched in 2022 to set clear expectations for ethical business practices, sustainability and social value across our supply chain). Working in partnership with our suppliers in 2025-30, we are delivering wider social value benefits including local jobs and training, community jobs and volunteering, environmental improvements and social innovation. Our continued accreditation by the Good Business Charter further reflects our commitment to responsible and ethical business practices.

In our 2025-30 Business Plan, we recognised the significant opportunities for local economic growth and community development - we estimated that this would mean doubling the supply chain capacity and creating more than 3,000 extra jobs in our regions. We led research in collaboration with Constructing Excellence in the North East to understand the

[2] Northumbrian Water Sustainability Report 2026

scope and scale of the region's capital investment programmes, and the capacity and capabilities within the supply chain to deliver on this regional need. By partnering with local businesses, we not only stimulate regional economies but also foster a sense of ownership and pride within the communities we serve. For AMP8, we have secured a wider ecosystem of 33 new regional SMEs (in addition to the existing supply chain), a third of which are new to water – to encourage growth in local businesses.

We have also sought to drive innovation not just for Northumbrian Water, but for the sector as a whole. We led the development of both the Spring and Stream projects, supporting the acceleration of the water sector's transformation through innovation and collaboration (including unlocking the potential of water data). Our annual Innovation Festival brings together innovators for a series of design sprints, hacks, workshops and activities, aimed at solving collective problems across water companies, supply chain companies, and many others.

Our approach is working. In British Water's latest survey of supply chain companies, Northumbrian Water was rated the top water company to work with (a total score of 8.5, compared to the industry average of 7.2). Our early approach to transformation and procurement has meant that we are now well placed to deliver in AMP8. However, this requires continued work to develop and support the supply chain in our areas, including making sure the right skills and investments can be made – driving efficiency and innovation in the long-term.

BEING ACCOUNTABLE TO CUSTOMERS AND STAKEHOLDERS

We recognise that a key element of trust is customers understanding how the money from water bills is spent. The Consumer Council for Water (CCW) has recently published research that shows that much of the information currently available does not meet their needs – because it can feel inaccessible, overly technical, and disconnected from what matters most to them (that is, whether their money is being used fairly, effectively, and to deliver tangible improvements in service and the environment).

Although this report contributes to transparency, we recognise that the regulatory requirements for delivery plans means that this report is very technical and inaccessible (except at the highest summary level). We have tried to explain the technical terms used and the issues we face, but some elements of this (particularly the technical environmental requirements and the definitions of individual PCDs set by our regulators) are not easy to understand from a short document that has to provide information to our regulators as well as our customers and stakeholders.

To address this, we have already taken steps to provide more visibility about how the money from water bills is spent through our billing – and will do more to communicate this through other channels.

FORMAT OF DELIVERY PLAN

Our detailed delivery plan takes the format of a series of data tables, the format of which is prescribed by Ofwat. For Northumbrian Water, these set out how we expect to deliver 33 key areas of investment in 2025-30. These tables describe the key outputs that each aspect of our investment programme will be delivering, for example: the number of customer meters installed; the increased water available for use that will result from water supply investments; the additional volume of wastewater network storage built to reduce spills from storm overflows. We show the baseline contained in our original 2025-30 plan, alongside our latest forecast of what we expect to achieve – to enable visibility of whether our forecast is ahead or behind of our original plan. (See tables DPW1 - for water investments - and DPWW1 – for wastewater).

Similarly, we show for each aspect of our programme the rate at which we expect to incur expenditure, annually across the 2025-30 period. Again, we show our original plan versus our latest forecast, to give visibility of expected progress. (See tables DPW2 and DPWW2).

For selected larger schemes, where progress might not be immediately evident until later in the five year period, we also include planned and expect dates for key project milestones – in order to give earlier visibility of any potential issues. (See tables DPW3 and DPWW3).

Finally, for each aspect of our programme we include an overall RED/AMBER/GREEN status, to give an indication of our current confidence in timely and complete delivery. As required under the Ofwat guidance, these are defined as:

- GREEN – performance is on track to meet the PCD output requirements. No indication of any factors which may cause performance to deteriorate from PCD requirements in the following years.
- AMBER – there is a risk that meeting PCD output requirements is not on track (or there are indications requirements may not be met in the following years), but mitigations are in place to address issues and the PCD output target is expected to be achieved by 30 June 2030.
- RED – PCD outputs are not going to be met and there are insufficient mitigations in place to meet the requirements by 30 June 2030.
- BLUE – some or all schemes are no longer required

SUMMARY OF OUR PLAN

- Most of our investment in improvements to water and wastewater networks (or "enhancement" investments) are included in this delivery plan (92% of the total £2.7bn enhancement expenditure that we expect to spend between 2025 and 2030). Ofwat has applied "price control deliverables" (or PCDs) to these investments, and we report on these in the tables that we published alongside this report (see the section above). These price control deliverables mean that we will return funds to customers if the specific investments are not delivered, and will pay a penalty if some specific investments are delivered later than planned or rewards if delivered on time. Ofwat will take this into account when setting prices from 2030 onwards.

- This report focuses only on these areas of investment, which are typically the largest projects. In addition to these areas of investment, we invest in routine maintenance of assets (or "capital maintenance") and incur operating expenses such as wages and energy. Together - along with most investments in growth in networks, investments in increasing resilience, and addressing any other risks or investment requirements after 2025 - these are called "base" expenditure. We report our total base expenditure alongside our annual performance in our Annual Performance Report each year[3].

- We also have some small "enhancement" investments which do not have PCDs, such as some of our smaller environmental investments. Although we do not report on these investments here, we do report to the Environment Agency about our progress in delivering these investments and all of our environmental investments that form our part of the Water Industry National Environment Programme (WINEP). As the EA reports, we have delivered all of our WINEP projects in each year since this programme began in 2012. We publish information about our expenditure on these projects in our Annual Performance Report each year too.

- We summarise the largest investments in our delivery plan below, split into our Essex & Suffolk Water and North East regions:

Table 1 - Essex and Suffolk Water

Key investment	Customer benefits	Expected cost (2022/23 prices)	RAG rating
Treatment works upgrades – removing nitrates at Langham, Langford, and Barsham water treatment works; adding new clarifiers and UV treatment at Langford water treatment works.	This will allow us to provide more water from each of these treatment works, because we can use more water from rivers (we cannot currently use our full abstraction licence because the nitrate concentration in this water is too high).	£103.0m	Green
Linford borehole and treatment works – new borehole and treatment works at Linford (in Essex)	This will allow us to provide more water in Essex.	£42.5m	Amber
Climate change process enhancements – improvements at slow sand filter treatment works in Essex & Suffolk, installation of cooling to protect critical chemicals during heat waves, and improved processes	This will help us provide resilience to climate change – in particular, periods of particularly hot temperatures which have specific effects on water treatment processes that were designed in the 20th century.	£23.2m	Green

[3] In our 2025-26 APR, this is included in Table 4J on p146.

to tackle expansion of water in hot weather.			

Table 2 - investments shared across both areas

Key investment	Customer benefits	Expected cost	RAG rating
Metering – providing smart meters to customers	This programme will provide smart meters to all customers in Essex & Suffolk, and customers who request these in the North East. This will also provide replacement meters when these are needed, upgrading these to smart meters.	£179.5m	Green
Lead replacement – replacing lead communication and supply pipes	This programme will identify and remove the next tranche of lead communication and supply pipes from our network, homes, and community groups (focusing on vulnerable customers).	£49.1m	Green
Security – providing physical and cyber security at our sites	This programme will upgrade our security to meet new legal requirements.	£37.6m	Green
Environmental investigations – relating to water supplies	These investigations will inform future investments and decisions relating to water environments across our areas. These are part of the Water Industry National Environment Programme (WINEP)	£7.5m	Green (subject to target profile being corrected)

Table 3 - investments in the North East area

Key investment	Customer benefits	Expected cost	RAG rating
Water			
Reservoir safety improvements – creating a "draw down" facility at 8 reservoirs	This will help us to comply with legal requirements to include new safety features in larger reservoirs. Some of these reservoirs have already been inspected; the rest of these will now be inspected and then any necessary work completed.	£112m	Blue – see below
Climate change process enhancements – installation of cooling to protect critical chemicals during heat waves, and improved processes to tackle expansion of water in hot weather in the North East.	This will help us provide resilience to climate change – in particular, periods of particularly hot temperatures which have specific effects on water treatment processes that were designed in the 20th century.	£28.3m	Green
Improvements in raw water quality – reducing specific pollutants in water (these are naturally occurring chemicals	This will help to avoid "musty" tasting water, and allow us to comply with drinking water standards.	£6.9m	Green

associated with the breakdown of algae and other micro-organisms in raw water sources).			
Wastewater			
Reducing storm overflows spills– improving storm overflows to meet new statutory requirements	This will reduce the number of sewage spills from storm overflows across the North East by 2030. This will improve around a quarter of storm overflows that require improvement, which is slightly more than the Government's target (of 20% of storm overflows by 2030).	£878m	Green – more detail below
Removing phosphorus and other nutrients/chemicals – this includes removing phosphorus, nitrogen, and chemicals such as ammonia.	Upgrading wastewater treatment works to remove nutrients in treated wastewater can help to restore rivers to good health. In some cases, we are working with others in the catchment to reduce nutrients from all sources. This is part of WINEP.	£129m	Green
Monitoring water quality in rivers and emergency overflows – installing water quality monitors in rivers, and flow monitors at emergency overflows at sewage facilities.	This will provide information about river water quality and allow us (and others) to understand and track the sources of pollution in our rivers. This is required under WINEP.	£77.6m	Green
Northumbrian Integrated Drainage Partnership – delivering schemes in partnership with local authorities and the Environment Agency to reduce flooding	This will reduce flooding from all sources for customers across the North East, by working together to prioritise and jointly fund flood risk studies and joint delivery schemes to tackle flooding from sewers, rivers and surface water affecting communities.	£55m	Green
Upgrading wastewater treatment works for new population growth – where studies show that the current capacity won't be enough in future.	This will provide capacity for the future, allowing these treatment works to continue meeting the needs of customers.	£44m	Green / Blue – see below
Sludge storage – building two storage barns to store "sludge cake" (the end product of wastewater treatment).	This will provide enough storage during autumn months, when farmers are not permitted to spread sludge to land. This is a statutory requirement under WINEP.	£33.4m	Green
Environmental investigations – relating to wastewater	These investigations will inform future investments and decisions relating to water environments across our areas. These are part of WINEP.	£24.3m	Amber

In Essex & Suffolk, we only provide water supplies (not wastewater), so we do not have any wastewater investments in this area. Wastewater services here are provided by Anglian Water (for Suffolk and most of Essex) or Thames Water (for some parts of Essex).

KEY RISKS

Our three biggest risks to delivery are: capacity and deliverability risks; planning and land acquisition; and regulatory uncertainty. We explain these risks and how we are managing these below.

Capacity and deliverability

In October 2023, we published our business plan. This recognised that in the face of external pressure, this was our most ambitious business plan ever – and so we set out early to make sure that this would be deliverable. We established a major transformation programme in 2023 across our business, recognising the scale and nature of future investment requirements. We commissioned and published an early independent review of the deliverability of the emerging investment programme for 2025-30, and also supported industry work on this. Our independent review found that:

- We had a well thought through and well-developed delivery strategy for AMP8;
- The delivery strategy was based on a good understanding of the challenges and risks associated with delivering the NWL PR24 plan;
- We had a well thought through and well organised AMP8 Transformation plan;
- We had made good progress in the Supplier Ecosystem Workstream, with the intention to have suppliers appointed during Q4 of 2023; and
- There was good progress in the creation of a high quality plan for AMP8.

We have now moved to this new delivery model and have increased our supply chain capacity. This model has two primary delivery routes which differentiate our approach depending on the size, complexity, and technical input required of each project.

Around two thirds of our capital plan consists of “long cycle” works, which are delivered through a collaborative partnership of 13 partners who are incentivised collectively to deliver the best overall outcome – the Living Water Enterprise. We appointed our first partners in February 2023, with the remaining partners added in January 2024.

The remainder of our capital plan consists of “short cycle” works, which are delivered through an integrated delivery approach using blended resources from NWG and wider partners.

The Living Water Enterprise includes six “design and construct” partners, and provides our complex (long cycle) delivery capability (as above, about two thirds of our delivery programme). This has a capacity of £3.28bn in AMP8, or around £650m per year average across five years.

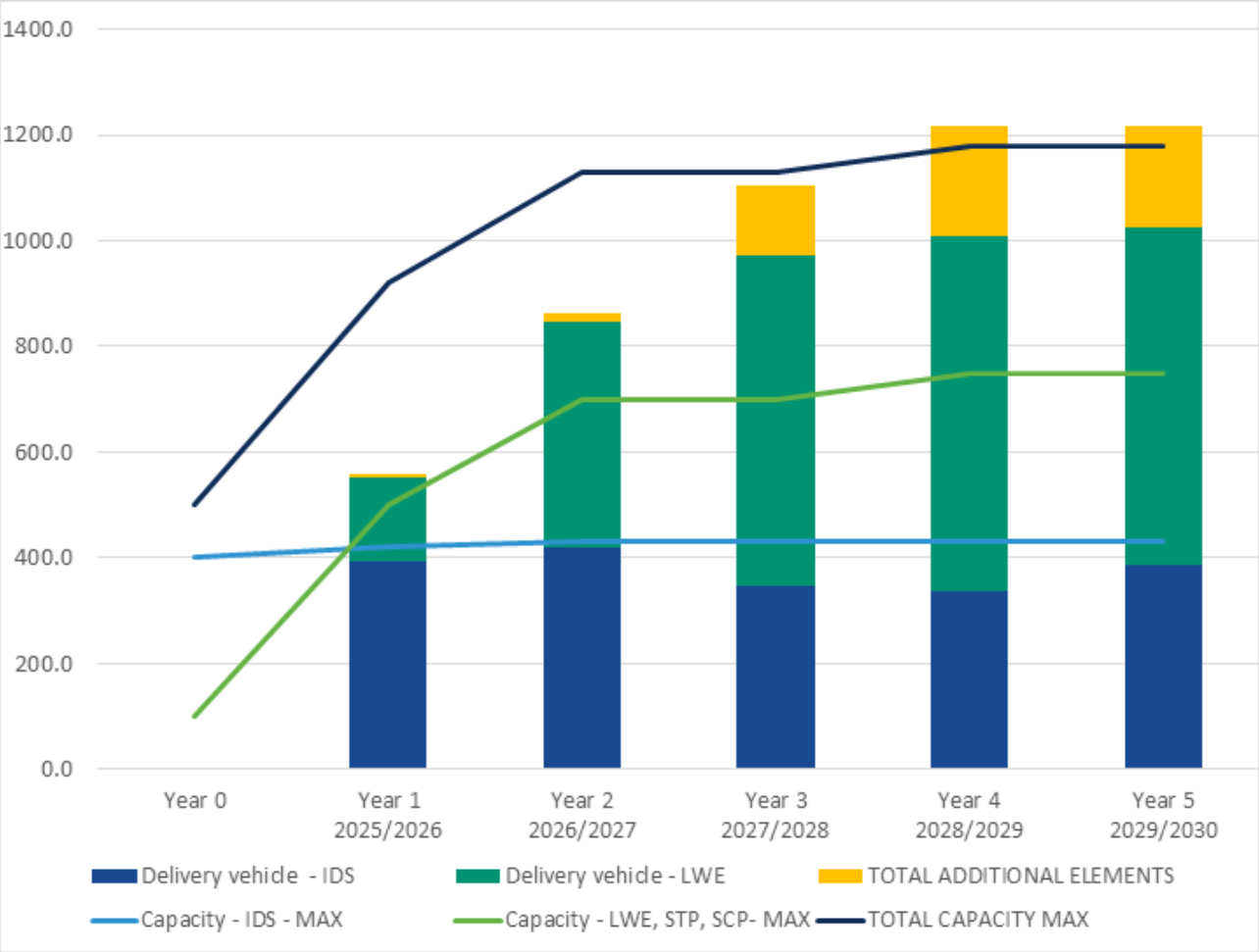
Our Integrated Delivery Services route (for short cycle delivery) has a nominal maximum capacity of £2.54bn in AMP8, or around £580m per year average across five years.

Our total capacity is £6.05bn in AMP8, including these two routes and our strategic technical and strategic commercial partners. This is **more than sufficient** to meet our original capital programme, which requires £4.19bn of investment. We determined this through engagement with our supply chain – during 2024, we carried out a detailed survey with our supply chain partners to understand capacity available to us, broken down into different areas of work.

More recently, through Ofwat’s new cost change process, on 1st May we submitted a request to Ofwat to invest an additional £635m to cover much needed asset health investment, and also a long sea outfall at Bran Sands - £548m of which, if approved, would be in the 2025-30 period. Given the slower than anticipated start to 2025-30 enhancement investment (described in more detail on page 11 onwards), and also our focus on maintaining affordability for customers.

We have tested the impact of additional potential investment (if approved) on total supply chain capacity. The figure below shows the capacity of the two elements of our supply chain, along with the current and additional elements of our capital programme. This chart assumes full inclusion of our proposed investments in the 2026 cost change process.

Figure 1 - supply chain capacity against expected demand (£m)



Source: draft delivery plan (April 2026).

This chart shows that we have sufficient capacity both overall in the AMP and in each year for the current core programme. It also shows that we will be reaching our current supply chain capacity in 2028/29 and 2029/30. We note that:

- There are still things we can do to mitigate this – such as focusing some of our delivery at specifically chosen partners to balance our capacity. For some projects, such as our long sea outfall, we are also likely to need use specialist contractors which are not already included in our supply chain.

- This forecast includes some projects which will not go through the large scheme gated process until 2027 or 2028 (these projects are the Lowestoft Advanced Water Recycling scheme, the Suffolk Strategic Network, and Howdon Growth). These are all large projects and together could comprise more than £500m of investment. It is still uncertain how much of this investment will fall into AMP8, and it likely that some of these projects will change in either scope or delivery timetable – and these can be reviewed again in 2027 in line with the 'trigger points' set out our long-term strategy.

Planning and land acquisition

Several strategic schemes - carry elevated risk due to planning and land acquisition complexities. For each, we must assess the most appropriate planning route (using either a "Development Consent Order (DCO)", or using the planning

route set out in the Town and Country Planning Act). Our preferred approach is to secure land through negotiated agreements (because this can secure agreement from all parties); statutory powers and compulsory purchase are pursued only when negotiation fails. This carries inherent programme risks.

Across the broader capital programme, local planning authority approval is often required. Where permitted development rights are unavailable, projects must also achieve a minimum 110% Biodiversity Net Gain. Depending on habitat types and offset requirements, these factors can add substantial programme time, cost and complexity.

Regulatory uncertainty

In some areas, there could be changes to legislation or regulatory requirements that mean that some investments are no longer required – or new, different investments are needed instead. This risk has already materialised in some areas, such as for catchment nutrient balancing where our programme must now be substantially changed (even since Ofwat's Final Determination in December 2024). There are several specific risks under this category, including:

- Decision point for **alternative pathways on water resources in Suffolk** – our water resources management plan set out the decision that we need to make in 2027 about which investments to make in water resources in Suffolk. This could be an advanced water recycling plant at Lowestoft, or a new winter storage reservoir, or even alternative options such as a proposed advanced water recycling plant at Caister or a bulk supply pipeline to the planned Bacton desalination plant. These new water resources are required primarily because the Environment Agency's (EA) review of abstraction licences has reduced the amount of water we are allowed to abstract from rivers in Suffolk in order to leave more water in the environment, alongside the drivers of increasing growth and climate change. The EA will make some further decisions about additional reductions in abstraction in 2027, and this could mean we need more than one of these options (or greater "deployable output" from one).

  This means that the requirements are still uncertain, which leads to delays in planning. To mitigate this, we began planning and design for both the Lowestoft advanced water recycling plant and the North Suffolk winter storage reservoir in 2023. Ofwat's decision to include these projects in the "large scheme gated process" also allows this uncertainty to be better managed, and specifically allows these decisions to be taken into account from 2027, and we pushed for funding for further planning and design work for the Caister advanced water recycling plant and the Bacton bulk supply pipeline, so that these could be included in this decision making by 2027. We continue to engage with the Environment Agency on progress towards making this decision.

- Uncertainty about **changes to environmental requirements** – for example, there is uncertainty about landbank availability for bioresources during 2025-30. Most of our bioresources are currently used for spreading on land, and so changes to the law on this - such as from the Environmental Permitting Regulations (EPR) replacing the Sludge (Use In Agriculture) Regulations (SUiAR) – could lead to significant changes in infrastructure requirements. These requirements are due to be defined within the Environment Agency's Sludge Strategy.

  We continue to engage with the Environment Agency about the Sludge Strategy, and have developed alternative pathways where investment might be required. Ofwat has introduced a "notified item" within its PR24 Final Determination which allows funding plans to be reopened if new investment is required. However, this uncertainty remains a risk for delivery of our overall investment programme because new requirements could be undeliverable within statutory timescales, or require significant diversion of resources and supply chain capacity from other areas.

- Potential for **increasing statutory requirements before 2030** – after the publication of our business plan in 2023, we increased our proposed investment in tackling storm overflows (in response to reduced statutory requirements elsewhere in the programme). However, the Government expects water and sewerage companies to achieve compliance by delivering improvements as fast as possible, with regulators incentivising and

monitoring this delivery. Since 2024, the Government has set out updated guidance in assessing and improving storm overflows. In July 2025, the Independent Water Commission identified an issue of confusion about how requirements should be prioritisied, and how different legal requirements interlink, and recommended a review of the legislation to clarify these requirements.

This could lead to increased requirements or different priorities before 2030, and could mean different choices about investment priorities if there are constraints on deliverability (as identified by the Independent Water Commission). We are working to mitigate this risk by exploring more efficient ways to deliver storm overflow improvements, such as the UK first implementation of smart control systems through our Smart Sewer project and identifying innovative approaches within our Drainage and Wastewater Management Plan.

We continue to work to mitigate these risks. Where regulatory uncertainty remains in some cases, we must make our own policy decisions in order to enable investments to progress – where waiting longer for regulatory certainty would seriously compromise the delivery of our overall programme. We have written to Ofwat separately on this point.

TIMING OF 2025-30 DELIVERY

Our original deliverability assessments for our AMP8 programme were made on the basis that investments could be maintained in a flatter profile across the period (rather than being "back-end loaded", as we would otherwise expect from projects to be delivered entirely within 2025-30). In response to this, we accelerated investment in our business plan – bringing forward to get ahead of the programme of work, managing the step-up in investment while carrying out early enabling work to flatten the delivery profile in the 2025-30 period. This included specific investments that we would bring forward, including our water resources projects (through the accelerated delivery project) and accelerating investments for some storm overflows, phosphorus removal, and sludge storage.

However, in practice, this has been more challenging. As described above - in some cases, we have seen regulatory uncertainty about exactly what we need to deliver – particularly from storm overflows, where changing expectations in relation to Spill Frequency Threshold Permitting and the definition of low flow water courses affect the exact volume of storage needed to meet regulatory requirements – which in each case has had to be recalculated, creating more design work. These regulatory changes may lead to better outcomes for customers and the environment - but they have meant more time spent on the design stages than we expected in our business plan.[4]

In other cases, land purchases and planning permission have been a larger challenge than expected. We have identified these risks before for our larger projects, including for example Lowestoft Reuse, Suffolk Strategic Network, and Linford borehole and treatment works. However, this is an increasing risk for other projects too – for example, the land we had identified for our sludge barn projects is unsuitable due to flood risk, and finding land elsewhere is challenging (particularly because this is an unappealing neighbour, with minimal local job creation).

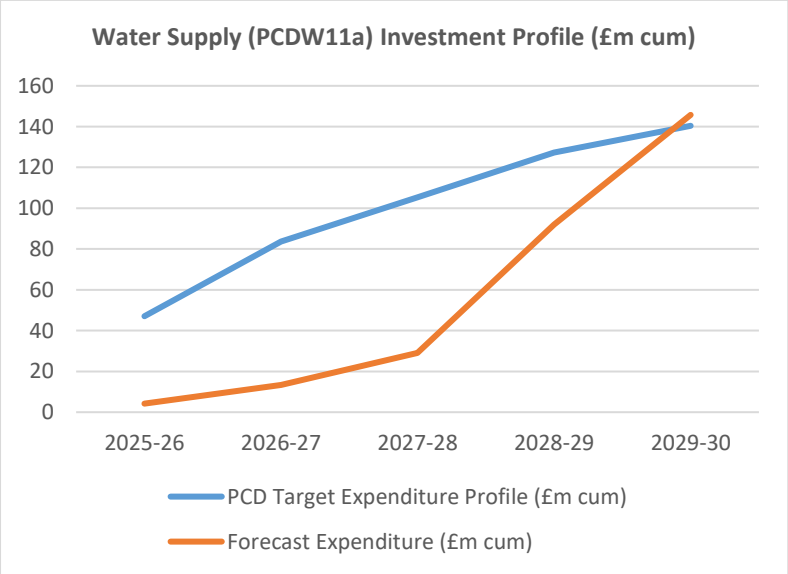
Enhancement cost allowances for 2025-30 have largely been forecast as a flat profile across each year of AMP8 (both in our own business plan, and when Ofwat made forecasts for some items in its determination). Due to the above factors, this is proving to be unrealistic in practice. As a result, we have spent 27% of our enhancement costs allowance for 2025/26. We do not, however, see a significant risk to delivering our full 2025-30 programme on time, and we expect to spend our 2025-30 allowances in full by March 2030.

In the table below, we describe each of the investment streams where we have materially underspent 2025/26 allowances, and our plans in response to ensure we deliver our commitments in full by the end of the 2025-30 period.

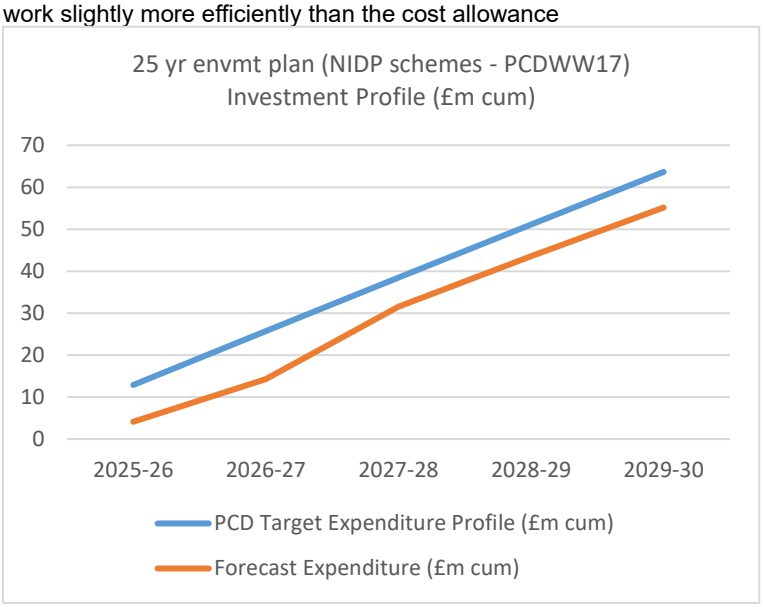
[4] The key aspects of changing guidance in this context were set out in our letter to the EA in February 2026, and included Spill Frequency Threshold Permitting (SFTP) where a guidance note was issued by the EA in December 2025 and a subsequent consultation in February/March 2026. Also, the definition of low flow water courses / 1 spill per summer which was clarified in March 2025 and is explained in more detail in our section on WINEP Investigations.

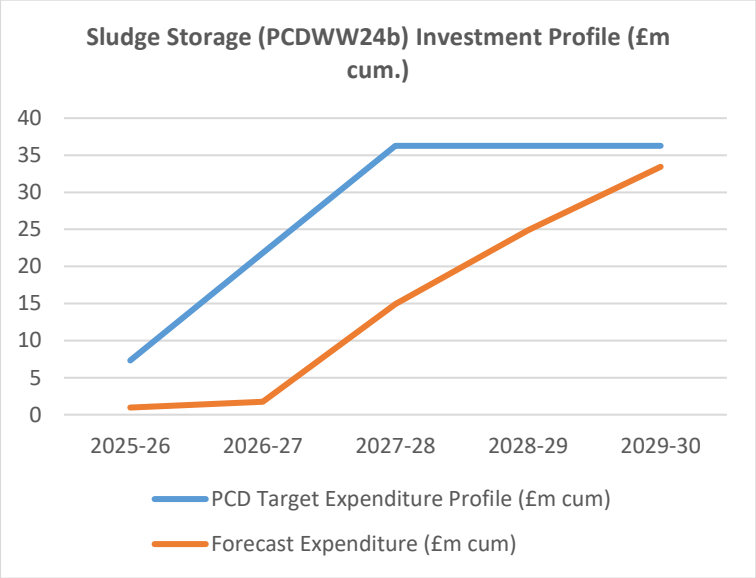
Given the slower start on our enhancement programme, Year 1 of the period has provided an opportunity to prioritise capital maintenance activity, where we have overspent our Year 1 allowances by around 24%. We have also overspent our Year 1 operating cost allowances by 12%.

Table 4 - PCDs / programmes with > £5m yr1 underspend vs profiled allowances, and response

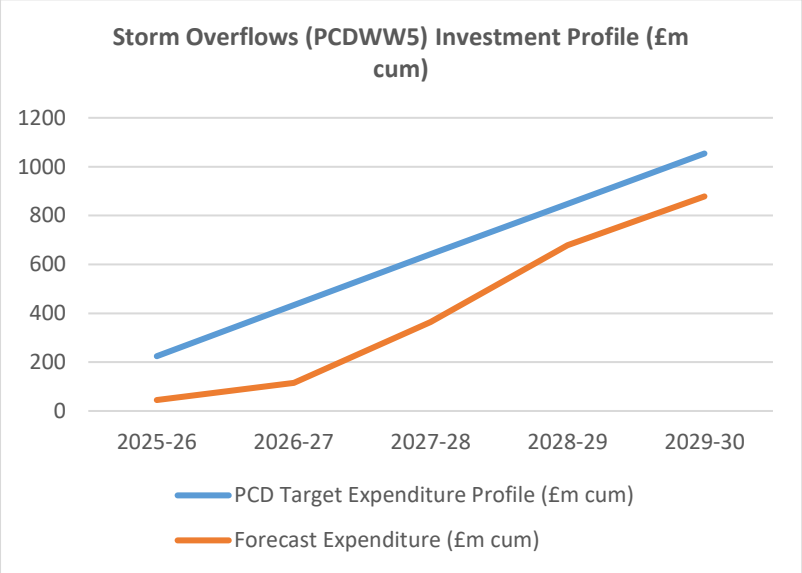
PCD Reference & Description	Cause of Underspend and Response	Auditor view on delivery
PCDW11a – Supply Schemes / WAFU[5]	As we describe in more detail on page 20, this PCD is for a project for a new borehole and WTW upgrade at Linford in Essex. Finding an available site with sufficient ground water has proved challenging, with insufficient water found at the first test site. We have now acquired a broader range of sites at which to drill test boreholes, and a programme of test drilling is scheduled to run until February 2027, following which we plan to drill our final borehole(s) at the most suitable site(s). Our project schedule is showing a completion date slightly beyond the end of 2025-30, hence we have attached an Amber status to this scheme. The remaining schemes covered by this PCD are in relation to improving our ability to remove nitrates from raw water during the treatment process. All of these schemes are supported by a detailed project schedule which indicates on time delivery.  Source: Analysis of PCD table DPW2	Our auditors support the Amber status for the Linford scheme, where delivery is expected to extend slightly beyond 2025-30, and a Green (on track) status for the nitrates schemes. The audit report notes that red is not currently considered necessary because the principal risk relates to timing.
PCDW11b - Supply Interconnectors	The main scheme covered by this PCD is our Suffolk Strategic Network project which aims to improve our ability to transfer water around the area i.e. from areas with surplus water, to those with a shortfall. The CMA concluded in 2025 that this scheme should move into Ofwat's 'large scheme gated process'. This extends the timeline for delivering the scheme, and so this removed this PCD. We expect this target profile to be corrected, once Ofwat has reflected the CMA outcome in the PCD. This is described in more detail on page 21. We have not provided a forecast vs target expenditure profile for this item, as the target profile required correction by Ofwat, as described above.	Our auditors support our 'Blue' assessment for this scheme to indicate that requirements have changed.
PCDW16c – Reservoir Safety	As described in more detail on page 22, our raw water reservoirs receive statutory safety inspections on a rolling 10-year cycle. Our 2025-30 plan for this activity reflected the best information available at the time, but some of the statutory safety inspections were done after we wrote that plan (these timetables are not always aligned). Since then, the priorities and associated expenditure profile have subsequently changed as a result of those inspections.	We have attached a 'Blue' status to this PCD to reflect the fact that requirements have changed. Our Auditors support

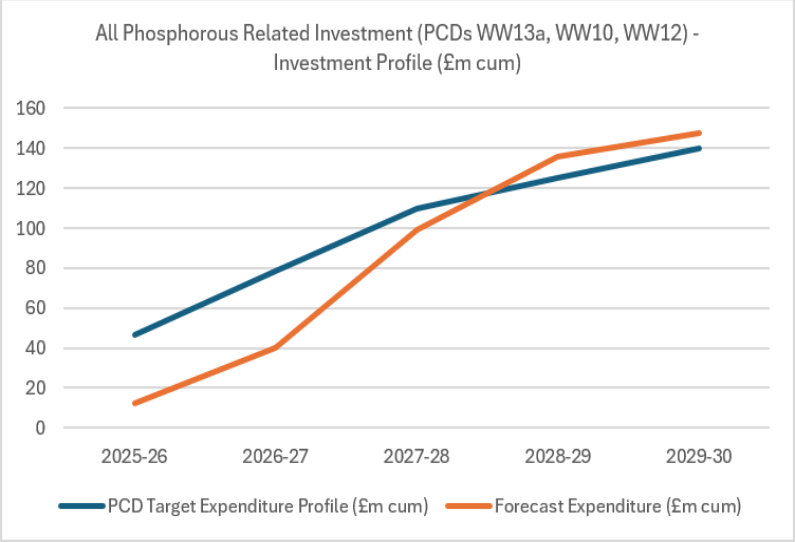
[5] The references in this column are Ofwat's references to its PCDs set at PR24 (more details here).

	In particular, we expect that two of the planned schemes will now require further inspections and so we cannot start the projects to address these inspections until at least 2030. For two other sites, we could now move to address inspections (we had not expected to be able to do so yet, but would like to take the opportunity to switch to deliver these instead). We intend to submit a change control request to Ofwat to reflect these changes in November. Assuming these changes are accepted, in future updates we will then provide a forecast vs (revised) target expenditure profile.	the case for a change control, however are of the view that the scheme status is technically 'red' – to indicate that we will not meet original requirements – until the change control is actually submitted – at which point we expect them to support the blue status.
PCDWW17 - 25 year environment plan – PCDWW17	This programme has taken longer than originally anticipated to establish. This relates to 60 drainage/flood risk reduction schemes which we are delivering in partnership with various stakeholders including Local Flood Authorities and the Environment Agency through our NIDP (Northumbria Integrated Drainage Partnership). As these are partnership schemes there are additional layers of governance in place to ensure that all parties are aligned on the design of the schemes. This has taken additional time, in particular to run a joint prioritisation exercise to ensure that all parties views are reflected in the programme of work. This has now been completed, and project schedules established (via a shared dashboard) which indicate on time delivery for this programme of work. We are also currently forecasting to complete this work slightly more efficiently than the cost allowance  Source: Analysis of PCD table DPWW2	Our auditors support the Green (On track) assessment which we have attached to this scheme.
WINEP Investigations – PCDWW18	This programme comprises 1,118 environmental investigations, the majority of which are in relation to Storm Overflows, in order to determine the most appropriate future spills targets for each. The specific requirements and locations have been set by the Government through the WINEP programme. On page 19, we describe in more detail the challenges we have faced with changing regulatory guidance – specifically in relation to storm overflows which discharge into smaller watercourses. This in turn requires more of these investigations to be 'complex' (as opposed to simple) which in turn extends timescales (and increases cost). We are engaging with the EA to establish a deliverable way forward for these investigations, and are still currently forecasting to deliver them all by the end of 2025-30.	We have attached an "amber" status to this, and our auditors have rated this "red". We both expect the scheme status to return to Green once the EA discussions have concluded.

	However, this has meant that the programme has been slower to start than anticipated, with reduced spend in year 1, and is behind interim deadlines originally set by the EA – for this reason we have flagged this investment as 'Amber'. The data tables also currently show an end 2025-30 underspend, however this is only because we are unable to accurately forecast costs until the above discussion with the EA has concluded – in reality we do expect to invest at least the full cost allowance. We will provide a forecast vs (revised) target expenditure profile in future updates, once the above complexities have been resolved.	
Sludge Storage – PCDWW24b	This PCD relates to the construction of a new sludge storage facility, to enable the by-products of wastewater treatment to be appropriately stored until they can be safely spread to land. Our original strategy was to aim to use existing land on our sites (specifically at Stressholme sewage treatment works) as this avoids the complications associated with having to acquire new land. However, a more detailed assessment of the Sressholme site has shown that it is not suitable due to flood risk – which has delayed the programme. We considered a strategy for alternative sites at our Asset Management Investment Board (AMIB) in July 2026, which comprised an extension to our existing sludge storage at our Bran Sands site, with three other smaller potential new sites identified, along with a further 4 back-up sites if needed. Breaking the scheme down into multiple smaller storage facilities is also expected to ease planning and stakeholder concerns. So, the project timeline is still indicating on time delivery, although with expenditure later in the 2025-30 period than originally expected.  Source: Analysis of PCD table DPWW2	Our auditors support the Green (On track) assessment which we have attached to this scheme.
Storm Overflows – PCDWW5	Our storm overflow programme has been slower to start than originally anticipated – mainly due to changing regulatory guidance, which continued to evolve during 2025/26[6]. In April 2026 we held a workshop to agree a clear policy position in respect of each aspect of recent guidance issued by the EA, so we could give design certainty to our delivery teams. We now have a detailed project schedule which supports delivering our programme in full by the end of 2025-30.	We have attached a "green" (on track) assessment to this PCD, but our auditors have rated this "amber" until our recovery plan becomes more mature and we can address the shortfall.

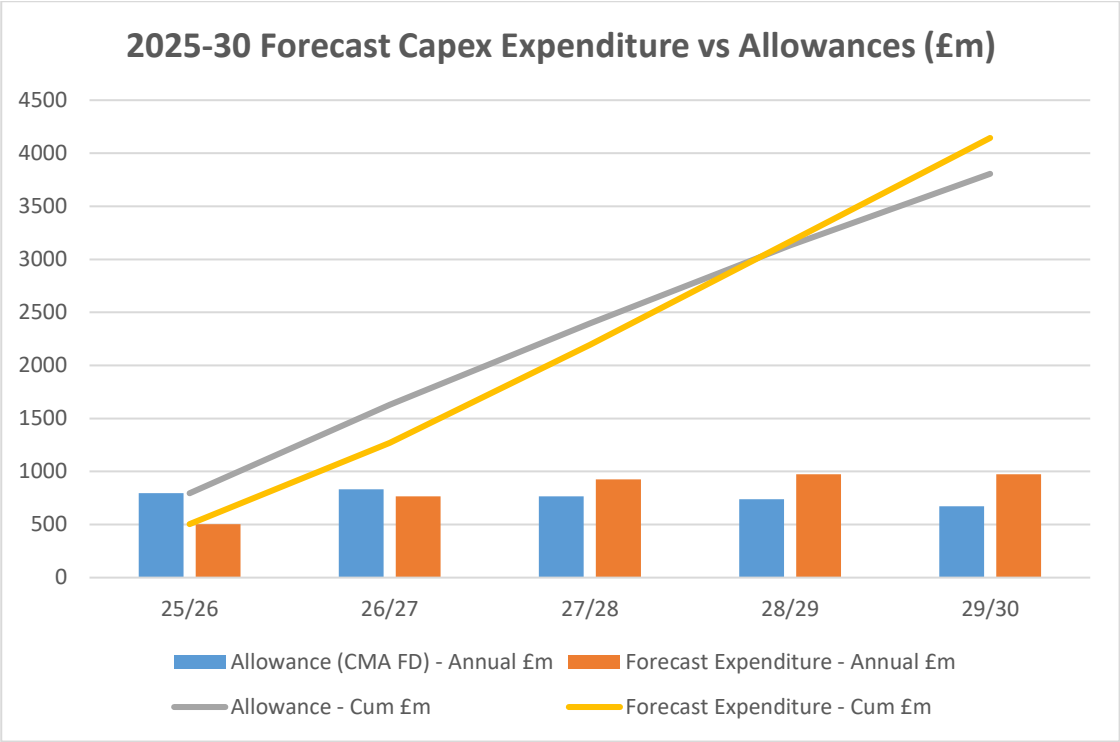
[6] See page 22 where this is explained and referenced in more detail

	All storm overflow schemes have now been launched, and all are expected to reach Gateway 2 in the next 12 months. We describe the steps we have taken to ensure delivery in more detail on page 22. This item accounts for by far the biggest element of our year 1 underspend, because this is the largest programme of investment we are making in 2025-30. On page 22, we also explain that the forecast underspend by 2029-30 – which is due to us being able to use smart network technology in the Berwick and Marske areas to deliver storm overflow improvements more efficiently.  Source: Analysis of PCD table DPWW2	
Growth at STWs – PCDWW27	As described in more detail on page 21, in our 2025-30 plan we forecast the sites at which growth investment (typically resulting from population increases) would be required. These investments involve upgrading wastewater treatment works to increase capacity, so that they can deal with population growth. At two sites the growth we expected in the local population has not materialised (as a result of planned developments not going ahead) – so we have stopped these schemes. However, we do expect growth to impact other sites, and intend to submit a change control to Ofwat to switch investment to these sites when we have the required evidence. Ofwat's PCD guidance allows this type of "substitution" of schemes, to reflect changes in growth projections.	We have attached a 'Blue' status to this PCD to reflect the fact that requirements have changed. Our auditors support the case for a change control, however are of the view that the scheme status is technically 'red' – until the change control is actually submitted
Tightening of Sanitary Parameters – PCDWW12	This is to meet new permits to reduce specific chemicals at the outfalls from wastewater treatment works. We are forecasting to underspend our totex allowance for this PCD. This is because Ofwat's modelled allowance at PR24 was much greater than our forecast costs in our business plan. We have spent less in 2025/26 (as a percentage of the total project) than the profile estimated by Ofwat at PR24, as these five projects have been in the early stages – Table DPWW3 shows that most projects move into the construction stage in 2026/27 and so we expect expenditure to increase. As it is challenging to fully separate costs across phosphorous related investment into each PCD, we have plotted our expenditure profile on a combined basis below.	Our auditors support the Green (On track) assessment which we have attached to this scheme.

Catchment Permitting – PCDWW13a	We have several categories of PCDs which are about removing phosphorus from wastewater before returning this to the environment. This helps to improve water quality in rivers, and the requirements and locations for this are set by the Government under the WINEP programme. These are in different categories because we have included different activities, from “end-of-pipe” solutions that involve using chemical dosing to remove phosphorus, to “catchment” solutions including nature-based solutions. Our catchment permitting PCD appears to be forecasting an underspend because, following the CMA decisions, we have moved the “end-of-pipe” phosphorus projects contained in this PCD to report costs under the “P removal” PCD lines. This is consistent with Ofwat’s stated intention for these PCDs, and matches Table DPWW3 which shows 15 schemes listed here. Taken together with our phosphorus schemes and catchment nutrient balancing PCDs, we spent less then the totex allowance in 2025/26. This is because the baseline profile splits the expenditure for phosphorus schemes equally between the first three years of AMP8 – this is not a realistic profile, because most projects reach the construction phase during the first part of 2026/27 (as shown in Table DPWW3) and so expenditure increases later in the period.  Source: Analysis of PCD table DPWW2 – includes costs for WW13a (Catchment Nutrient Balancing and Catchment Permitting) WW10 (P removal) and WW12 (tightening of sanitary parameters). Excludes £14m of CNB expenditure allowance removed by CMA.	Our auditors support the Green (On track) assessment which we have attached to this scheme.

The net effect of the forecast investment profiles described above, when added to forecast capital enhancement investment which is not covered by PCDs (i.e. is outside the scope of the delivery plan) along with capital maintenance, is shown in Figure 2 below – which demonstrates that capital investment is expected to fully catch up with allowances by year 4 of the period (2028-29).

Figure 2 - AMP8 Capital Investment Cumulative Forecast vs CMA FD (£m)



Source: NWL analysis

ESTABLISHING CONFIDENCE IN OUR FORECAST FOR DELIVERY

We know that this is only our view of delivery – our stakeholders and regulators need more confidence in this forecast, including evidence to show that we remain on track. To support this, we have done two things:

- We have asked our assurers to provide an independent view of delivery, scoring each PCD against a RAG rating for delivery. We have published this in our detailed delivery plan alongside our own view. These are largely consistent with our own view, except for some "amber" and "red" ratings where recovery is expected with specific conditions, and a different treatment of PCDs where some elements are no longer required.
- We have looked at our programme against a selection of the metrics in Ofwat's proposed approach to assessing delivery plans (from its consultation in May 2026).

These metrics and our assessment are shown in the table below.

Table 5 - Delivery Assessment Metrics

Metric	Our assessment
Outturn 2023-25 delivery	**Amber** – although we made an early start on many projects, this was disrupted by late changes to WINEP guidance (particularly for storm overflows and CNB/phosphorus (see the individual PCD explanations earlier in this report). In some cases, this was beneficial as this exposed some later programme delays (across e.g. Linford, Lowestoft, storm overflows, and feasibility of wetland schemes).
Outturn delivery in Year 1 and Year 2	**Green** – (year 1) on water projects, we are ahead of our PCD delivery in 2025/26, having delivered more activity on lead and metering. On wastewater we are behind the baseline profile on monitoring at emergency overflows but as described below, this is because the original profile is simply an allocation and not reasonably possible to deliver.
Milestones achieved in Year 1 and Year 2	This cannot easily be assessed yet but see below regarding two key milestone related metrics.

Expenditure and output profile alignment	These are aligned in all cases – we note that for many lines, there has been expenditure but no outputs yet (as projects have not yet completed).
% of projects awarded for delivery by end of year 2	**57%** of our wastewater projects and 82% of our water projects will be awarded by the end of year 2 – **this directly contributes to the next item, which is that**:
% of projects in construction by end of year 3	**89% of our projects will be in construction by the end of year 3** (across DPWW3 and DPW3). We have explained the individual delays on water supply/interconnectors projects and reservoir safety schemes. The remainder of these are storm overflows projects that we expect to complete before the end of the AMP. **This places us in a strong position to deliver these schemes in full by the end of the 2025-30 period.**
Forecast unit cost / allowed unit cost	This is most appropriate for 'volume' type investment programmes which involve repeat activity of the same type and have a clear unit cost (lead, metering, monitoring, storm overflows, interconnectors, sludge storage). In these areas we are forecasting to be slightly more efficient than the allowed unit cost. This is in line with our business plan, where we were assessed as close to or more efficient than average on enhancement costs (that is, a "shallow dive" factor of 0% for both water and wastewater).

Source: NWL Analysis of Delivery Plan Data Tables

EXPLANATION OF AMBER RATED SCHEMES

We have identified three "amber" rated items:

- WINEP Investigation – (PCDWW18) – we are scheduled to deliver 1,118 WINEP investigations during AMP8, of which 1,047 (approximately 94%) relate to the EnvAct_INV4 programme (these are investigations into the harm caused by discharges from storm overflows). In our last Delivery Plan, we explained that we expected that new information from the EA (in March 2025)[7] would mean that a large number of our INV4 investigations would need to be complex (rather than simple)[8] with obvious implications for timescales and costs. We have now carried out a detailed review of the programme, and this has confirmed that a significant proportion of these investigations are now expected to require complex assessment methodologies, including hydraulic modelling, water quality modelling and UPM investigations – creating a substantially more resource-intensive programme than originally anticipated.

  The increasing complexity of the programme is primarily driven by the evolution of technical guidance following PR24 – in particular, we developed the AMP8 programme in our business plan before the EA published guidance introducing the new 5l/s summer Q95 threshold for EnvAct_INV4 investigations (this is a change in guidance which means that there is a lower threshold of river flow for complex investigations). Applying this threshold significantly increased the number of storm overflows requiring assessment compared with the assumptions used in our business plan[9]. As the programme has progressed, it has become clear that a greater proportion of sites require more detailed UPM-investigations, including Level 2 and, in some cases, Level 3 assessments[10]. We have one of the largest EnvAct_INV4 portfolios, and we are expected to undertake a higher volume of complex investigations than many other water companies.

  This increase in scope and complexity has had a consequential impact on the delivery profile. Our delivery of investigations is dependent on specialist technical capability, including sewer model calibration, hydraulic and

[7] In March 2025 the EA shared an update to FAQs regarding INV4 investigations. This set out the threshold for defining a 'low flow' water course at anything less than 5l/s. Low flow water courses by their very nature will be more vulnerable to storm overflow discharges so a more extensive 'complex' investigation is typically required to ascertain an appropriate future spills target. The threshold for a low-flow water course had not been available previously – our business plan used a working assumption of 0.5l/s.

[8] This is defined by the Environment Agency. Complex investigations require more detailed surveys over a long period of time and are more expensive.

[9] The clarified threshold is as set out in the previous footnote. In our letter from NWL to John Leyland (EA) in February 2026, we described how this change would likely result in an additional c80 storm sites requiring a complex investigation.

[10] These are defined by the Environment Agency.

water quality modelling, UPM assessment expertise, and specialist monitoring equipment and resources. Constraints on these dependencies across the wider industry and internationally[11] have meant a delivery profile that is longer than we expected during PR24 planning. The requirement to deliver other AMP8 environmental programmes, including SOAF v2 activities that draw on other similar specialist resources, further reinforces the need for a phased and prioritised delivery approach.

We are continuing to work closely with the EA[12] to agree a refined and proportionate approach for the remaining EnvAct_INV4 investigations. This includes ongoing discussions regarding investigation methodology, programme phasing and opportunities to streamline delivery while maintaining technical robustness and environmental outcomes. We will then finalise our revised methodology, phasing plan and associated Action Specification Forms (subject to agreement with the EA). Any required amendments to programme timing, scope and delivery assumptions will then be progressed through the WINEP change control process.

As a result of these ongoing discussions, we categorise this PCD as "amber" – until this is resolved. Our auditors have categorised this PCD as "red", as there has been no approved EA/Ofwat methodology change yet. We accept this view, but we consider it likely that working together with regulators, this risk can be mitigated.

- **WINEP Carryover (PCDWW35) –** our delivery plan shows that although we will deliver all three schemes by the end of the AMP, one of the schemes (Trimdon) is delayed by one year. This is a phosphorus removal scheme at Trimdon STW, which was part of a catchment scheme in AMP7 WINEP. This is delayed because the original scheme was a nature-based solution, for which the Environment Agency had previously set a WINEP deadline of March 2027 to be delivered. However, the Environment Agency changed its policy[13] and so would not sign off on this design; so, we had to change our delivery profile. We agreed an alternative end-of-pipe solution with the EA, and the current EA permit compliance and WINEP date are both 31 March 2028. In the section below, we ask for a change to this PCD to reflect the revised compliance deadline.

- **Water Supply / Linford WTW and borehole (PCDW11a)**, which is currently behind schedule. Our objective for 2024/25 was to complete the drilling of a pilot borehole; to complete the design of the new operational borehole and WTW; and to secure land lease agreements. We found it very difficult to secure land lease within a small radius of the existing site, particularly as some of the area was ruled out in early engagement due to new infrastructure projects including the Lower Thames Crossing (LTC). Having extended our search and assessed 121 potential sites, we secured a land lease agreement for a borehole site in January 2025 and completed the drilling and test pumping of a pilot borehole in March 2025 – but the volume of water available (the 'yield') was insufficient from the first borehole. We are now in our third phase of exploration, and rather than selecting sites using desk-based constraints and groundwater modelling, we aim to carry out exploratory drilling across the catchment. This will further widen the search.

[11] A further letter from NWL to the EA in February 2026 set out more detail supporting this point. Specifically that a. NWL's INV4 programme now appeared more complex than most other companies b. that the number of 'complex' investigations required of NWL was far higher than for the other companies who had shared data, and c. provided estimates that to complete the required number of complex investigations (in their current form) and to meet the current regulatory dates would require resource of 350-400 staff a number of which are niche specialist resources with years of relevant Industry experience in fields such as sewer model calibration and complex UPM modelling. This level of resource is not currently available. The letter also proposed an alternative (more deliverable) approach to these investigations – which we continue to discuss with the EA.

[12] This was first raised in writing with the EA in letters from NWL to the Environment Agency in December 2025 and subsequently in February 2026. Also see footnote above. Discussions are ongoing for example in recent email exchanges between NWL and the Environment Agency in July 2026.

[13] This scheme was impacted by the EA's policy change in relation to Catchment Nutrient Balancing, as per its Final Decision Document on the topic dated 14th April 2025 which concluded that ' *Our conclusion is that allowing CNB to continue risks failure of statutory water quality standards and targets, risking environmental harm and ultimately leading to increased costs for cost for WaSC customers when CNB trials are unsuccessful and alternative treatment solutions are needed to address the failures*.' and in turn that '*Therefore, after careful consideration of all the evidence, risks and challenges, we have decided to withdraw CNB for WaSC offsetting against their nutrient permit limit requirements, effective from AMP8 on 1st April 2025'*.

We have now agreed lease/purchase terms at 3 sites and have a programme of test drilling at these that runs to Feb 27. The outcomes of these trials will determine if we believe we have sufficient yield at one or more sites, and we will then drill production boreholes.

We are also continuing discussions with landowners to identify any other potential parcels of land, including land being temporarily used by LTC. As part of this process, we are indicating the potential use of DEFRA powers to procure land if we can't agree via negotiation.

For the reasons described above the current programme is for completion end of June 2030, which is marginally later than the March 2030 deadline, hence the Amber status. Whether we're earlier or later than this is dependent on if/when we find the 6.5Ml/d yield.

Explanation of blue schemes

- **Catchment nutrient balancing (PCDWW13) –** this PCD was included in Ofwat's final determination to support our catchment nutrient balancing schemes in several catchments. These consisted of phosphorus reduction schemes at some wastewater treatment works, coupled with activities across these catchments to work with farmers and other stakeholders to reduce overall levels of phosphorus. These catchment plans were developed by the North East Catchments Hub - a partnership between Northumbrian Water and the Rivers Trust, and aimed to reduce costs to customers and deliver significant higher environmental benefits across these catchments – in our PR24 business plan, we adopted these catchment plans in full. However, shortly before Ofwat's final determinations, the Environment Agency withdrew its support for these plans (because it was not confident that the required phosphorus reductions would be delivered) and instead asked us to develop phosphorus reduction schemes at more wastewater treatment works instead[14]. As part of our appeal to the CMA, we worked with Ofwat and the EA to reflect these new requirements in the funding provided by the CMA's final determinations. This included funding to carry out some of the catchment nutrient balancing activities, supporting some of the roles already recruited in the Rivers Trust and delivering expected benefits to river water quality.

  As a consequence of these changes, the CMA expected Ofwat to change this PCD. We provisionally agreed that the best approach would be to transfer the phosphorus removal schemes (including the new phosphorus removal schemes introduced as a result of this change) into the phosphorus PCD. This has not formally happened yet, but we mark this PCD as "blue" as we would like to work with Ofwat to make this change. We would also like to reduce the complexity of the phosphorus PCDs, which currently allocate similar end-of-pipe schemes across several PCDs and in some cases, ask for reporting of outputs in one place and costs in another. We will write to Ofwat separately about this – as we think this can be reported more simply in future.

- **STW Growth (PCDWW27) –** two schemes (Aldin Grange and Browney) are no longer needed as growth has not materialised. This is because planned developments are no longer expected in our growth forecasts, and so the associated growth investments expected in 2023 are no longer needed. We expect to use the substitution mechanism in this PCD as our updated growth forecasts show that investment is likely needed elsewhere, but we are not yet in a position to formally put forward a change. We expect to do this in 2027, and this will take into account our DWMP modelling (from cycle two) as well as considering any further growth investment needed under the cost change process. The remaining three growth schemes would be scored "green" as these are on track for delivery; however, we rate the overall PCD as "blue" as two schemes are to be removed. Our auditors have rated this as "red" until we make the application to Ofwat for these substitutions, but acknowledge that our remaining schemes are on track.

[14] Catchment Nutrient Balancing Review letter from EA to all WASCS, 13 December 2024 (and subsequent formal guidance change in April 2025).

- **Water Supply Interconnectors (PCDW11b) –** this PCD comprises two projects, the Bungay to Barsham pipeline and the Suffolk Strategic Network. We are on track to deliver the Bungay to Barsham pipeline on time and would rate this as "green". However, earlier this year the CMA determined that the Suffolk Strategic Network should move into Ofwat's large scheme gated process, as we expected delays compared to the original programme schedule. This delay was because the project is now being considered for progression as part of a National Infrastructure Project (along with our Lowestoft Advanced Water Recycling Plant) and we currently estimate that this review will conclude in December 2029. As a consequence of the CMA decision, it asked Ofwat to change this PCD to remove the Suffolk Strategic Network element. Our submissions under Ofwat's large scheme gated process will include proposals for a revised PCD for this project, and we expect Ofwat to apply a revised PCD as part of its subsequent in-period determination.

- **Reservoir Safety (PCDW16c) –** We have eight reservoir drawdown construction projects and one investigation in our AMP8 enhancement plan.

  Our PR24 business plan, including the supplementary information we provided in response to Ofwat's Draft Determination, contained our best estimate at the time of the sites that would require remedial work in relation to drawdown capacity in AMP8 following statutory "Section 10" reservoir inspections. These inspections are driven by the Reservoirs Act 1975 and typically run on a 10-year rolling cycle – meaning that the inspection cycle does not always align well with the price review cycle.

  For two of the sites within the scope of the PCD, Hanningfield and Whittle Dene, the inspections were not received until after the PR24 process had concluded. The inspections have resulted in deadlines (under the reservoir inspection regime) for completing initial drawdown studies by later in AMP8, meaning that the follow-on drawdown schemes themselves will now likely be delivered in AMP9.

  However, as the broader programme of reservoir inspections has progressed, we have also identified two further reservoirs (at Colt Crag and Hury) which are not currently in the AMP8 enhancement programme but which require attention more rapidly (from a maintaining safety perspective). Our programme schedules indicate that activity can be completed by the end of AMP8.

  In our November 2026 delivery plan submission, we plan to attach a formal change control request to substitute the Reservoir Safety PCD schemes at Hanningfield and Whittle Dene for those at Colt Crag and Hury – which, if approved, should result in the required number of AMP8 schemes being delivered in full.

  We note that in Ofwat's latest PCD guidance (February 2026, Appendix A3), Reservoir schemes of this nature are included in the scope of Ofwat's proposed change control process. As part of this change control submission, we will also advise of any variances in expected cost. In turn, we anticipate that Hanningfield and Whittle Dene will now become PR29 projects, possibly with an accelerated start.

  A third scheme within the scope of the PCD is at Derwent Reservoir. The study for this has now been completed and indicates that the required scheme is significantly larger than originally envisaged. We expect to discuss this, and any associated timescales for delivering the scheme, with the inspecting engineer later in 2026. Should this result in any changes, we will also include this in the above change control.

  We currently forecast to complete the remaining reservoir construction projects in the programme within AMP8. Our auditors have rated this PCD as "red" until we make the application to Ofwat for these substitutions.

Storm overflows

- We are forecasting to deliver all of our storm overflows programme within the regulatory dates – so this is categorised as "green". Since our last Delivery Plan, we have increased our confidence through design work

including costings and expected equivalent storage, which has allowed us to make decisions at programme level rather than individual project level. This has sped up our timescales in getting projects through Gateway 1 and Gateway 2.

- We have now launched all projects. Through adopting smart networks and engaging with regulators on appropriate technical solutions (particularly sidestream treatment of flows) we have found opportunities for project efficiencies – on both timings and costs. For example, the most significant contribution to the improvement in the PCD for 2026/27 is from using a smart network solution in our Ouseburn catchment. The smart network component of this scheme alone will contribute around 8,000m^3 of equivalent storage.

- Our two most significant projects, at Berwick and Marske, represent almost 50% of our programme spend – and we have carried out significant investigations to make sure we have a good understanding of modelling issues and likely outcomes. This has meant that these projects have moved through Gateway 1 and Gateway 2 later than we would have originally expected, but this additional work has meant that these projects have explored more innovation solutions and have made significant cost savings. We have discussed these projects with Ofwat regularly through quarterly meetings.

- We have detailed bespoke programmes for all of our storm overflows projects, and these are reviewed monthly by our programme managers and discussed at our monthly WINEP Steering Board. These programmes and formal discussions, as well as many informal discussions with delivery partners, provide us with confidence that we will deliver the programme in full. We have taken steps to make sure that the network hydraulic models that we use as the basis for our design are sufficient for this purpose. Our teams have used the appropriate data to support each solution, and we have developed a risk tool to document our process of creating models that are fit for purpose. We have undertaken flow survey work to improve models on a targeted basis (this is time consuming).

- Our delivery plan tables are currently showing an underspend by the end of AMP8 (of £176m, or 17%). This is due to the Berwick and Marske large schemes, where we are forecasting an underspend of £230m (or about 45% of these projects together). This is because we have been able to use smart networks to maximise the current capacity, and the EA has approved appropriate technical solutions (particularly sidestream treatment at Marske) that were not possible at the time of the business plan. By exploring and adopting these innovative solutions, with support from regulators, we have been able to significantly reduce the costs of these projects. These schemes are subject to special cost sharing rates due to the uncertainty present at the time of the PR24 process - customers will receive a 75% share of any efficiencies made in these projects once they are completed in 2030.

- In contrast, our outturn costs of inland storm overflows (which are more focused on “grey” storage) are higher than our business plan allowance. This is mostly due to increased regulatory requirements that have required higher equivalent storage volumes than originally planned. We have mitigated this by looking to cluster projects with different statutory drivers to find both design and construction efficiencies.

- Although we are currently forecasting that we will deliver within our PR24 totex allowance, many of our schemes remain relatively immature in our project lifecycle. We will increase our confidence in outturn costs over the next year as the remaining projects pass Gateway 2.

Other schemes of note

- **CWQM (PCDWW2b)** – the profile set at PR24 assumed that an equal number of monitors would be delivered in each year of AMP8. However, in practice this does not reflect an efficient delivery profile for this investment. We have explored different delivery models for installing monitors, and have kept these open during the procurement

process (over Summer 2026) in order to work with suppliers to find the most efficient approach. We remain confident in delivering the programme in full by 31 March 2030, and we are on track with this programme.

- **Monitoring at SPS emergency overflows (PCDWW3)** – the profile at PR24 assumed that an equal number of monitors would be installed in each year (and was set by Ofwat in the PCD model). This isn't an efficient delivery profile for this investment, and in some cases is not possible (as many of these projects require design and civil structures in order to install monitors). We remain confident in delivering the programme in full by 31 March 2030, and we are on track with this programme.

- **Power & Flood Resilience (PCDWW32)** – we expect to deliver six sites for power resilience (as set out in Ofwat's final determination) by the end of 2027/28. However, the CMA determination earlier this year allowed funding for a further 17 sites. We have identified the priority sites and we are currently developing these projects further. We expect that Ofwat will modify this PCD to reflect the CMA's changes, but the delivery plan tables currently reflect just the six sites described in the original PCD.

- **Lead (PCDW15)** – We note that our lead replacement programme is reported on the basis that Ofwat is moving to the generally accepted industry definition that the external supply pipe ends at the outside wall of the property (not at the internal stop tap as per the current PCD definition). We understand from the Lead Board earlier this year that this is the direction of travel, but it would be helpful to have this confirmed in writing.

- **Raw Water Deterioration (PCDW13/14)** Although our programme appears to be behind the baseline expenditure, this is not the case in practice. We will deliver these schemes in 2026/27 and 2027/28, long before the PCD deadline. However, Ofwat's profile in the PCD tables shows an equal amount of expenditure in each year – this means that we appear behind in Year 1, but will have completed our spending by Year 3 and so will be ahead of the baseline.

Other changes / corrections

- **WINEP Carryover (PCDWW35) –** we have 3 schemes within the scope of this PCD. In each case Ofwat has made a default assumption that as all of these are carryover schemes, the PCD target scheme completion target should be set in each case at 31 March 2025, after which a penalty of £17,200 per calendar month (per scheme) is applied until delivery is complete.

  However, in the case of our Trimdon P removal scheme (WINEP reference 7NW200568), the original WINEP target date for the scheme was 31st March 2027. A catchment / nature-based solution was originally envisaged, however following a change in EA sign off policy, this had to be changed to a traditional solution. The change in solution was accompanied by a WINEP change control which amended the target date for the scheme (and the date at which a tighter permit threshold for P would apply) top 31st March 2028.

  On this basis we request that the PCD target date for this 1 scheme be amended to 31 March 2028, or as an absolute minimum March 2027, in line with the compliance date for this scheme.

- **Water WINEP Investigations (PCDW8) –** the target profile indicates that the first 41 investigations should be complete by end year 2. However, the latest WINEP deadlines for these are end April 2027, which is year 3. We have asked Ofwat to correct this in the target profile. Please can this be corrected in the target profile. Once this is corrected, our forecast delivery should be in line with (or ahead of) the target profile. (Appendix 2 contains a list of relevant WINEP references)

- In both of the above instances, Ofwat should be able to verify this independently by directly checking the EA's WINEP tracker, which we understand Ofwat has direct access to.

ASSURANCE

We have appointed a third-party assurer to assess whether or not we have identified all the appropriate actions to expand capacity, and whether or not we have appropriate plans in place to implement these actions. This assurer has a "duty of care" to Ofwat as well as to Northumbrian Water, and we expect them to submit assurance reports to both Ofwat and Northumbrian Water at the same time.

We have asked our assurance provider to provide an overall assurance report alongside our delivery plan progress report submission in July each year, starting this year (August 2026). We have also asked them to submit individual PCD assurance reports alongside their overall assurance PCD report in July 2028, July 2029, and July 2030.

Our assurance provider has rated our overall programme as "amber", mostly because they have rated the storm overflows programme as "amber" (and this is a very large part of our investment programme). Our assurance provider concludes that:

> *"The [overall] programme is well progressed… the large majority (23 subsets) are assessed as green, with delivery on of ahead of profile and credible methodologies. We agree with NWL's own assessment on the substantial majority of PCDs."*

On storm overflows, our assurance provider concludes that:

> *"Full delivery of Storm Overflows is currently forecast with headroom, and the Amber reflects a back loaded profile and outstanding reconciliation rather than an expected shortfall. Excluding Storm Overflows, Amber expenditure falls to around 4% and the programme would be rated Green. In short, the Amber rating reflects residual and resolvable risk, not an expectation of non-delivery."*

NEXT STEPS

We will be providing further updates on delivery progress twice a year across 2025-30. The first (in November each year) will be shared with Ofwat. The second, which will continue to receive independent assurance, will also be published on our website in July[15].

[15] This has been published in August in each of 2025 and 2026, to align with Ofwat reporting requirements.

APPENDIX 1 – DETAILED COMMENTARY

Identifying high-profile projects

Ofwat's delivery plan guidance asks us to identify the most critical high-profile projects. We have identified the following high-profile projects using the criteria set out in Ofwat's guidance:

- **Lowestoft Advanced Water Recycling** – this scheme is very large, complex, and there are significant risks to delivery from both planning and land acquisition, and regulatory uncertainty (as we explain in our report above). This is also critical for growth as it directly relates to requirements to reduce abstraction in the Suffolk area.
- **Suffolk Strategic Network** – this scheme is large, complex, and there are significant risks to delivery from both planning and land acquisition, and regulatory uncertainty (as we explain in our report above). This is also critical for growth as it directly relates to requirements to reduce abstraction in the Suffolk area.
- **Linford borehole and treatment works** – this scheme is much smaller and less complex than Lowestoft, but there are risks in this area relating to planning and land acquisition. As a WRMP scheme, this is important for meeting future water supplies in Essex.
- **Bran Sands long sea outfall** – this scheme is very large, complex, and there are significant risks from delivery. This is critical for growth as it directly relates to requirements to reduce nutrients in the Teessmouth area.
- **Berwick storm overflows** – this scheme is very large and complex, and as this is new there could be significant risks to delivery (including the scope for more efficient delivery).
- **Marske storm overflows** – this scheme is very large and complex, and as this is new there could be significant risks to delivery (including the scope for more efficient delivery).

Other than resilience schemes (see below), we do not have any other schemes that could be included in this category. The remainder of our water and wastewater programmes are made up of relatively small individual schemes that do not have particular public interest or delivery risks, and are not critical for growth or meeting the timing of wider requirements. We will review this list annually and include more schemes if these become high profile. We note that the Howdon Growth project will be a critical high-profile project, but at the time of writing this report we did not have forecasts of costs and delivery milestones.

Resilience schemes and growth wastewater treatment works (DPW5 and DPWW5)

Ofwat's delivery plan guidance asks to include water resilience schemes in table DPW5, and growth at sewage treatment works schemes in table DPWW5. These schemes are:

- **Nine reservoir safety schemes** – these are all of our water resilience schemes above a £1m allowance.
- **Three schemes for growth at wastewater treatment works** – the threshold of >£10m applies to three of our five schemes.

Forecast data

Ofwat's delivery plan guidance asks us to explain the date that forecasts have been made. For our Delivery Plan, there is no single date that forecasts have been made. This is because individual project managers or programme managers have made their forecasts for the purposes of delivering those projects, rather than for particular reporting dates – and so these forecasts will have been updated to reflect changes in contracts, known costs, and actual expenditure during 2025/26. We have taken a snapshot of this reporting in June 2026. We don't think this is necessarily comparable across companies, as project delivery will have different timescales and steps for different projects even within the same company, depending on local and individual circumstances.

However, all data providers were required to submit information for this Delivery Plan by the same date – 17 July 2026 – so that this could go through independent assurance before publication.

Material changes in PCD output profiles and expenditure compared to baseline

Ofwat's delivery plan guidance asks us to explain where there is a material change to PCD output delivery profiles or expenditure compared to the baseline. This is defined as either: delivery falling below 85% of the baseline delivery profile; or expenditure falling below 75% of the baseline expenditure profile. The guidance also asks us to provide commentary where there is material negative movement in interim milestones compared to baseline.

These areas are as follows:

- **Treatment for tightening of sanitary parameters** (PCDWW12) – the table shows that our expected expenditure is only 62% of the baseline. However, this is because the baseline is not correct and reflects Ofwat's modelled allowance in FD24. We forecast £9.4m for this area in our business plan (before frontier shift and other adjustments), and our current forecast is £17.84m in the delivery plan tables. So, there is no decrease in forecast expenditure.
- **Wastewater investigations (PCDWW18) –** see above, this is now forecast at 73% of the baseline.
- **Catchment permitting (PCDWW13a)** – see above, this is now forecast at 57% of the baseline.
- **Growth at wastewater treatment works** (PCDWW27) – in our last delivery plan, we forecast a cost of £57.9m compared to the baseline of £37.4m. Our business plan forecast a cost of £53.4m for these schemes, but Ofwat's FD24 only provided an allowance of £37.4m. We do not think that these baseline costs are realistic, and we note that Ofwat assessed our £53.4m costs as efficient. The CMA determination earlier this year adjusted this cost allowance to £52.2m, so our forecast last year was around 10% higher than the allowance. This comparison was before removing two schemes (as described above). We note that as a consequence of the removal of two schemes, the delivery also drops below 85% of the baseline profile, but this simply reflects the removal of these schemes.

In addition to these areas, we note the following difference (that is not classified as a material change under the guidance):

- **Network reinforcement** (PCDB3a) – we have increased our forecast since the FD24 allowance, reflecting the actual schemes we now expect to deliver in the 2025-30 period (rather than an estimate derived from historical expenditure). We have provided Ofwat with the details and costs of these schemes, and asked the CMA to update this forecast as part of its redetermination process (which it has done in its final decisions). This forecast has increased again since we provided this data to the CMA and Ofwat in 2025.

Commentary on scheme level data

Ofwat's guidance asks us to provide commentary where forecast dates move by more than 90 days compared to previous forecasts, or where cost forecasts change by more than 10% compared to previous cost forecasts.

Scheme substitutions or removals

We do not propose any scheme substitutions or removals in this document. We expect Ofwat to make some changes to PCDs following the CMA final decision, and we will write to Ofwat separately about that. As we describe in the earlier sections, we also expect to make an application for substitutions on reservoir safety in November 2026 and for wastewater treatment growth in April or May 2027.

APPENDIX 2 – LIST OF WINEP REFERENCES FOR PCDW8 – WATER WINEP INVESTIGATIONS

08ES100009
08ES100010
08ES100011
08ES100012
08ES100018
08ES100103
08ES100104
08ES100128
08ES100130
08ES100200
08ES100201
08ES100203
08ES100204
08ES100205
08ES100301
08ES100303
08ES100304
08MU100300
08MU100303
08MU100397
08MU100400
08NW104000
08NW104001
08NW104008
08NW104009
08NW104012
08NW104050
08NW104052
08NW104055
08NW104056
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08NW104100
08NW104106
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