

---

# PR24

**NORTHUMBRIAN**  
**WATER** *living water*

**ESSEX & SUFFOLK**  
**WATER** *living water*

---

## **SUMMARY TABLE COMMENTARY**

**NES\_COM11**



<b>1.</b>	<b>Business-plan level commentary</b>	<b>3</b>
<b>2.</b>	<b>SUM1</b>	<b>5</b>
<b>3.</b>	<b>SUM2</b>	<b>5</b>
<b>4.</b>	<b>SUM3</b>	<b>5</b>
<b>5.</b>	<b>SUM4</b>	<b>5</b>

## 1. BUSINESS-PLAN LEVEL COMMENTARY

Our business plan addresses the key challenges for PR24 as follows:

- We **meet rising expectations** by putting forward an ambitious plan<sup>1</sup> and long-term strategy<sup>2</sup>, which includes plans co-developed with our local stakeholders and tested extensively and iteratively with our customers. We have spent the last two years understanding the ambition of customers, the Government, and other stakeholders on water and wastewater issues, developing and consulting on how we should play our pivotal role in navigating such challenging times – and how quickly.<sup>3</sup>
- We will **protect and enhance the environment** through our £1.7bn ambitious environmental programme<sup>4</sup> to meet the strict new environmental targets being set by Government and regulators – a ten-fold increase in investment compared to 2020-25. We have focused on using catchment and nature-based solutions that have wider benefits for the environment where we can. And our Environment Strategy<sup>5</sup> looks at how we can deliver our Purpose in the long-term, working with others and demonstrating leadership to improve our natural environment. We are already one of the top performers in the water sector on the environment, with some of the highest standards for bathing water quality, the cleanest rivers, and the lowest levels of pollution – but we also recognise that we need to do more and move quickly to address the concerns of customers and communities.
- We will **adapt to climate change** through improving resilience in our water supplies in Essex and Suffolk and investing an additional £400m to adapt to climate change and ensure a health asset base – reducing the risk of service disruption to customers from extreme weather<sup>6</sup>. We have carried out extensive work to understand the future risks to our assets and how these can be mitigated, and have discussed the priorities and phasing with our customers to develop a long-term plan. We have a strong track record as a resilient company, and are among the top performers on asset management.
- We are among the industry leaders on **net zero emissions**, and we are funding improvements in 2025-30 through our base funding allowances and greenhouse gas emissions performance commitments. Our programme of continued investment includes renewable opportunities across our estate, taking steps to decarbonise our fleet, exploring innovations to reduce process emissions, and working to improve measurement of scope 3 emissions. All our enhancement cases take greenhouse gas emissions into account through the options assessment process, including embedded carbon.
- We are **delivering affordable bills** using several approaches. We are keeping bills low: we had the largest bill reduction (18%) at PR19, and our bills will increase by 15-19% in real terms by 2029-30, so we will continue to have bills below the industry average. We have phased some investments and challenged the Government and

<sup>1</sup> Main business plan (NES01)

<sup>2</sup> Long-term delivery strategy (NES\_LTDS)

<sup>3</sup> Main business plan (NES01), p40-42 and A7 – Customer and Stakeholder Engagement (NES08)

<sup>4</sup> Main business plan (NES01), p18-21

<sup>5</sup> Environment Strategy (NES75)

<sup>6</sup> Main business plan (NES01), p22-25 and A8 – Resilience (NES09)

regulatory requirements on statutory investments, in line with our customer engagement, to keep bills as low as possible while delivering environmental benefits. We have set ourselves a target to deliver £400m of efficiencies from our position as one of the most efficient companies in the sector through ongoing improvements and using new innovations – while still providing top-quartile performance across the most important service areas to our customers. Finally, we will take further steps towards our aim to eradicate water poverty in areas, making sure that no-one will spend more than 5% of their disposable income on water bills. This means increasing our support for customers from £40m in 2020-25, to £170m in 2025-30 – including a new £20m shareholder funded hardship scheme to help those who need it most.

Our bills will increase due mostly to the impact of a much larger enhancement totex programme in AMP8, particularly from storm overflows and other environmental expenditure. The waterfall model (NES\_M\_02) does not show the difference between our areas, though, with increases in wastewater bills in the North East but increases in water bills due to our WRMP in Essex and Suffolk. As shown in our waterfall model (NES\_M\_02), PAYG means a downward pressure on bills – because of the high proportion of capex leading to a change in the natural PAYG rate. A change in WACC has a large impact under either the updated Ofwat early view of WACC or our alternative WACC.

All of this means an increase in bills between 2024-25 and 2029-30 of between £81 and £87 in the North East (or between 18% and 19.6%). In Essex and Suffolk, bills will increase by between £32 and £36 (or between 12.5% and 14%).

We are confident that we meet the criteria for a high-quality and ambitious business plan, but there are two key issues we would like to signal to Ofwat:

- To deliver our programme, shareholders will need to provide an equity injection of around £400m. Ofwat’s “early view” of the allowed return to equity for PR24 would not allow us to attract this investment.<sup>7</sup>
- We remain concerned that Ofwat will not fully consider investments in asset health, which are a critical part of making sure our network remains resilient in the long-term.<sup>8</sup>

<sup>7</sup> We discuss this further in A6 – Risk and Return (NES07) and A2 - Data, Information and Assurance (NES03)

<sup>8</sup> We discuss this in A8 – Resilience (NES09) and A2 – Data, Information and Assurance (NES03)

## 2. SUM1

Our outcome performance commitments for 2029/30 reflect our stretching but achievable targets, as set in our [appendix A4 – outcomes](#) (NES05). This is consistent with our ambition to be the national leader for water and wastewater services.

We proposed no bespoke performance commitments for PR24. However, we propose separate performance commitments for leakage, PCC, and business demand between our areas (North East, and Essex and Suffolk). This reflects the difference in priorities and long-term targets between these two areas.

We note that targets for biodiversity and operational greenhouse gas emissions show an error in this table, as there is no data available for 2024/25. Data in the “regional PCs” block is correct, but is showing in the wrong format (should be %, so for example 0.2 should be 19% - as it is in Table OUT1, where this is linked to).

## 3. SUM2

Changes in this table reflect growth in customer numbers, and our performance commitments (see SUM1). There is significant RCV growth due to a much larger capital programme in 2025-30 than in 2020-25.

## 4. SUM3

We have used a similar approach to PR19, and have used Ofwat’s PR24 financial model for both our notional and actual financeability (these models are both provided with our business plan). Our business plan (NES01) and our appendix A6 – Risk and Return (NES07) explain our approach in more detail.

## 5. SUM4

In SUM4, we have included three elements of non-statutory expenditure:

1. Our **lead replacement programme** (£46.7m of water totex, included in SUM4.5). Although we would be expected to make at least some progress in 2025-30 towards the sector target to be lead-free by 2050, the pace of this programme is not strictly required. We selected this option to accelerate to meet the long-term statutory requirement and likely increases in standards in the medium-term – with very strong customer and stakeholder support. The DWI support this investment in 2025-30, too (see our enhancement case, NES20, and lines CW3.103 to CW3.117 in business plan tables).
2. Our **non-statutory WINEP programme** (£66.3m of wastewater totex, included in SUM4.13). This comprises all of our non-statutory WINEP and is explained in more detail in our enhancement case (NES29) and in CWW3.
3. **Climate change adaptation** programmes (£90.2m for water in SUM4.3, and £76.6m for wastewater in SUM4.16). These are explained in more detail in our enhancement cases NES24, NES25, and NES32 and in tables CW3 and CWW3. These are not strictly required to meet statutory obligations but are instead needed to adapt to increasing

climate risks with an impact in 2025-30, including the impact of cascading failures on our systems, risks from extreme summer temperatures, and new flooding risks.

We have included investments in asset health within mandatory expenditure in SUM4. This is because we consider these investments are required in 2025-30 to continue to meet our legal obligations, as we explain in our enhancement case NES35 and in our appendix A2 – Data, Information and Assurance (NES03).