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Andrew Beaver
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19 September 2023

Dear Andrew,

Work undertaken for NWL Ltd on PR24

Thank you for your email. In accordance with your request, I confirm that I have provided external support to Northumbrian Water in the preparation of its Long Term (Delivery) Strategy (LTDS) submission as part of the 2024 Price Review (PR24). Specifically I have supported NWL in building a long-term model to 2050 that collates the latest information from NWL's statutory long-term planning regimes (in particular Water Resource Management Plans (WRMPs) and Drainage and Wastewater Management Plans (DWMPs)) and provides a forecast of long-term investment requirements from both base and enhancement investment against the four key investment categories that NWL proposes in its LTDS, adjusted for future efficiency assumptions.

The model uses the latest information from the WRMP, DWMP and other statutory planning regimes up to 2050 and is supplemented with other investment assumptions beyond these areas (in particular in relation to net zero, lead and resilience investments). I understand the information in the model to reflect the best information from the statutory long-term plans NWL has and represents a reasonable view of the long-term investment requirements for the business to 2050.

The model includes functionality to consider different 'core' and 'adaptive' pathways in line with adaptive planning principles and approaches and also to consider a range of scenarios including Ofwat's prescribed scenarios.

I have built functionality into the model to allow the calculation of average bills over time to enable analysis and consideration of long-term, affordability challenges and some simple functionality to consider simple financing issues. The model does not represent a full and complete financial model but I consider that it is appropriate and proportionate to the development of a 25-year long term plan.

The model had been built to the best of my ability taking into account my 25 years of experience in regulatory economics and price control design and delivery. I have taken all reasonable steps to ensure the accuracy of the model and the work which has been subject to internal peer review with NWL's staff.

Please let me know if you have any questions or concerns with the above.

Yours faithfully,

A handwritten signature in red ink, appearing to read "P. John". The signature is stylized and written in a cursive-like font.

Peter John
Founder and director