

1. BUSINESS PLAN CHANGES FROM OCTOBER 2023 TO 25 JANUARY 2024

Since submission of our PR24 Business Plan to Ofwat in October 2023, we have made changes to parts of that plan. These have been in response to requests from Ofwat or other regulators and a small number of corrections in the detail of the submission, in some cases in response to clarifications issued after we published the plan.

The result of these changes to date is that Ofwat is now considering a PR24 Business Plan for **Northumbrian Water** that includes total expenditure of £6,020 million, down from £6,027 million in our October 2023 plan, and average annual customer bills of between £466 and £478 for Northumbrian, £290 to £304 for Essex & Suffolk by 2030 (up slightly from £464 and £289 respectively in our October 2023 plan).

Ofwat's draft determinations will be based on this expenditure and these bills. The plan delivers the same ambitious service levels and other benefits that we put forward in our original plan in October 2023.

The reasons for the £7m reduction in our total expenditure for our original PR24 Business Plan are:

- A £17m reduction in the scale of the septic tanks programme following changes to the requirements and guidance issued by the Environment Agency.
- A £4m increase in the costs of a Kielder Reservoir bulk supply proposal following discussions with Ofwat and RAPID.
- A small number of costing corrections of £6m in total.

The main reason for the change to our associated average annual customer bills is an increase in the transitional investment proposed for 2023-25, in advance of the PR24 2025-30 period. There are other small adjustments to taxation and forecast ODI rewards.

2. FURTHER BUSINESS PLAN CHANGES THAT MAY BE REQUIRED

While overall these changes are small we wanted to update customers and other stakeholders transparently as the business planning process progresses. We also envisage that larger changes to our Business Plan may be needed in the future, in particular:

- Our Business Plan included a series of nature-based schemes in the Teesmouth to meet new legal requirements for Nutrient Neutrality, these proposals were ambitious but cost significantly less to customers and we believe would deliver a greater level of environmental benefit. Following the submission of our Business Plan in October new guidance allows us to make an application to the Secretary of State for those ambitious proposals to be taken forward. We made this application in January and expect to hear back from the Secretary of State in April. If this application is not successful, then the alternative solution would require significantly more investment and may drive a significant change to our Business Plan.
- We have received feedback from the UK Government in relation to our proposed Water Resource Management Plan (WRMP)¹ which may require us to consider additional investment in Essex and Suffolk to ensure that we are able to leave more water in the environment in the future and abstract less, we are working through this feedback but currently do expect a small increase in investment will be required to address the concerns raised.
- We continue to receive feedback on our plans to reduce spills to the environment from Storm Overflows including from both Ofwat, the Environment Agency and others. This may lead us to consider changes to the plan we

¹ <https://www.eswater.co.uk/services/water/revise-draft-water-resources-management-plan-2024/>

submitted in October. While in general we currently expect such changes to be modest there is significant uncertainty in this area.

Given these other uncertain elements we propose to update customers and stakeholders again in May once the outcome of these is clearer but ahead of the Ofwat Draft Determinations, which we expect to be issued in June².

² <https://www.ofwat.gov.uk/regulated-companies/price-review/2024-price-review/>