

By email

Andrew Beaver
Regulation & Assurance Director
Northumbrian Water Limited

13 October 2023

Dear Andrew,

Accelerated Infrastructure Delivery Project

We are writing following our publication of our [Accelerated Infrastructure Delivery Project final decision](#) in June 2023. Our final decision allowed Northumbrian Water (the “Company”) PR24 transition expenditure funding to accelerate five schemes¹ in accordance with the conditions and requirements set out in the Accelerated Infrastructure and Delivery Project final decision. These included a requirement that the Company provide us with sufficient and convincing evidence at our action plan review meeting in summer 2023 that it is on track to deliver its PR19 enhancement programme as a condition of receiving transitional expenditure funding.

To deliver customer and environmental benefits, acceleration schemes need to be delivered on time and not distract companies from the delivery of the existing significant 2020–25 investment programme.

To help us decide whether the Company has met the condition included in our final decision document that it is on track to deliver its PR19 programme, we asked the Company to submit a report on the progress that it has made against its own [action plan](#) (published in March 2023). We then held the action plan review meeting to discuss this report with company representatives on 21 August 2023. Following this meeting we raised further queries with the Company on its progress. We have also reviewed the data submitted by the Company in its 2023 Annual Performance Report.

¹ Addition of capacity to the New Linford water treatment works, three schemes to bringing forward detailed designs (Suffolk Strategic Network and Storage Enhancements scheme, North Suffolk Winter Storage Reservoir and Lowestoft Reuse scheme) and acceleration of work to progress a 'concept and definition' feasibility phase to understand the full range of interventions required to reduce storm overflow spills at 31 locations in the Berwick Upon Tweed catchment.

For the reasons set out below, while risks remain on delivery, we consider that the Company has provided us with sufficient and convincing evidence to assure us that, overall, it is currently on track to deliver its PR19 enhancement programme.

- The Company reported progress in relation to four of the six schemes which the Company's action plan identified as at risk of not being delivered on time.² The four schemes the Company made progress on relate to improving water resilience and raw water quality.³ The Company confirmed that three of these schemes are no longer at risk.
- In our [Water Company Performance Report 2022-23](#) we no longer identify the Company as significantly underspending against its enhancement allowances.
- The Company however reported that its delivery position with respect to its metering programme has worsened since the publication of its action plan. It is now forecasting to deliver c.75% of the meters funded at the PR19 final determinations. The Company explained that this is due to external factors such as COVID impacts, supply-chain issues and labour constraints. Customers will be protected by the bespoke performance commitment on the Company's metering programme. This means that funding will be returned to customers where any of the funded meters are not delivered by the end of the 2020-25 period.
- The Company confirmed that it is on track to deliver the remainder of its PR19 enhancement programme by March 2025.

We therefore consider that the Company has met the condition included in our accelerated infrastructure delivery project final decision to providing us with sufficient and convincing evidence at our action plan review meeting in summer 2023 that it is on track to deliver its PR19 enhancement programme. We also expect the Company to get on and deliver the five schemes for which transition expenditure funding has been allowed.

The Company should continue to progress delivery of all enhancement schemes funded to be delivered in 2020-25. We will monitor and challenge the progress of delivery of acceleration schemes as well as other PR19 enhancement expenditure.

Yours sincerely

Chris Walters
Senior Director

² The six schemes are Layer enhancement, Springwell Service Reservoir, Tees pipeline, Abberton pipeline, smart metering, and lead programme.

³The four schemes are Layer enhancement, Springwell Service Reservoir, Tees pipeline and Abberton pipeline.