

August 2023

Northumbrian Water: Conclusions on Change of Control

About this document

On 22 May 2023 we published a consultation on the [Change of ownership for Northumbrian Water Limited](#). The consultation closed on 3 July 2023. It set out:

- Our assessment of the ownership structure.
- Our assessment of the new owners identified as an Ultimate Controller as well as their capacity to be an owner of a regulated water company.
- Our understanding of how the governance arrangements, which are relevant considerations in identifying the new Ultimate Controllers of Northumbrian Water, have changed following the change of control.
- Our considerations in identifying the new Ultimate Controllers of Northumbrian Water.

In this document, 'Northumbrian Water: Conclusions on Change of Control', we set out our conclusion following the consultation.

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1. Background to this consultation

On 22 May 2023 we published a consultation on ['Change of ownership for Northumbrian Water Limited'](#). The consultation closed on 3 July 2023.

The consultation followed the acquisition of 25% of the shares in Northumbrian Water Group Limited, the parent company of Northumbrian Water Limited, by Nimbus UK Bidco Limited. Nimbus UK Bidco Limited is owned by KKR & Co Inc.

The new investors have provided relevant undertakings in accordance with Condition P of Northumbrian Water Limited's instrument of appointment (licence). Based on our assessment of the incoming shareholders, we concluded that no additional modifications to Northumbrian Water's licence were required as a direct result of the change in ownership and determined that both Nimbus UK Bidco Limited and KKR & Co Inc. are Ultimate Controllers of Northumbrian Water.

Our consultation set out the following questions:

Consultation questions

- 1) Do you have any views on our commentary about the incoming owners?
- 2) Do you agree that it is not necessary to place additional requirements in the licence of Northumbrian Water in respect of the change of control?
- 3) What are your views on our identification of the Ultimate Controllers?

We received one response to the consultation, from the Consumer Council for Water (CCWater).

A copy of the response can be found at Appendix A1.

2. Summary of the response received

In its response, CCWater stated that it does not have any specific comments in response to the questions set out in the consultation, as it would expect Ofwat to have carried out a robust assessment and interpretation of licence conditions.

CCWater did however take the opportunity to set out its wider views that the owners of regulated water companies should focus on their customers and on making sure investment is provided to meet the challenges the sector is facing. CCWater stated that this includes that any returns, remuneration and bonuses are earned and are legitimate in the eyes of the consumer.

3. Conclusion

Having reviewed the response to the consultation, our conclusions as set out in the consultation remain unchanged. As such, no further steps need to be taken in relation to the change of ownership at Northumbrian Water.

A1 Response to consultation from CCWater



The voice for water consumers
Llais defnyddwyr dŵr

**CCW's response to:
Ofwat's consultation on change of
ownership for Northumbrian Water
Limited**

Introduction

The Consumer Council for Water (CCW) is the independent voice for water consumers in England and Wales. Since 2005, we have helped thousands of consumers resolve complaints against their water company, while providing free advice and support. All of our work is informed by extensive research, which we use to champion the interests of consumers and influence water companies, governments and regulators.

Key information (not our views)

Ofwat concludes that its change of control assessment has considered the ownership, operational activities and financial standing of the new investors in Northumbrian Water and has not identified any issues, based on the information it has received and considered to date. Therefore, it does not see a need to introduce additional protections in the licence directly because of the change in ownership. It has recently made modifications to certain ring-fencing provisions in all large water companies' licences, including Northumbrian Water's licence, in its 'Decision under sections 13 and 12A of the Water Industry Act 1991 to modify the ring-fencing licence conditions of the largest undertakers' published in March 2023 and does not consider that further changes are required at this time.

Our response to your consultation on change of ownership for Northumbrian Water

The consultation asks the following questions:

- 1) Do you have any views on our commentary about the incoming owners?
- 2) Do you agree that it is not necessary to place additional requirements in the licence of Northumbrian Water in respect of the change of control?
- 3) What are your views on our identification of the Ultimate Controllers?

We do not have any specific comments in response to the above questions, as we would expect Ofwat to have carried out a robust assessment and interpretation of licence conditions

We do have comments on additional aspects of the change of ownership:

- We want all owners to focus on establishing a customer centric culture, making sure investment is provided to meet the challenges the sector is facing now and in the future and to play their part in rebuilding trust between people and their water company.
- We want to see that any returns, remuneration and bonuses are earned, are legitimate in the eyes of consumers, and appropriate for a low risk, monopoly, utility provider.

Enquiries

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**Ofwat (The Water Services Regulation Authority)
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We regulate the water sector in England and Wales.**

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