



Northumbrian Water Group

People Panels: Ofwat Draft
Determination

Research report: August 2024

Executive summary

This report presents the findings of the engagement held by Explain, on behalf of Northumbrian Water Group (NWG), with the People Panels in July 2024.

The People Panels represent customers and future customers from NWG's operating regions, with four distinct Panels:

- **Northumbrian People Panel**, consisting of Northumbrian Water (NW) customers
- **Essex People Panel**, consisting of Essex & Suffolk Water (ESW) customers from the Essex region
- **Suffolk People Panel**, consisting of ESW customers from the Suffolk region
- **Future Customer People Panel**, consisting of future customers from both NW and ESW

Objectives

This engagement aimed to understand panellist's views on some aspects of Ofwat's Draft Determination of NWG's PR24 Business Plan. The topics they were asked to consider included:

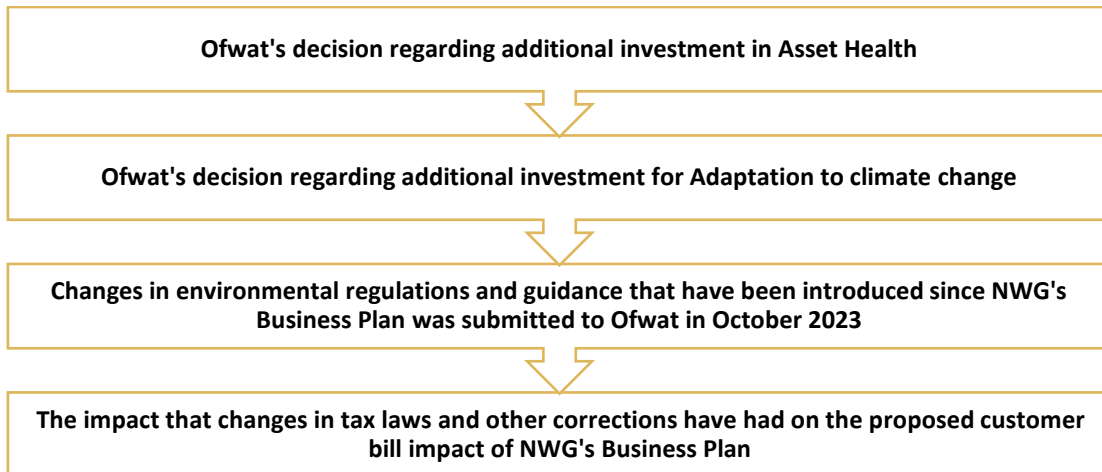
- Ofwat's decision regarding additional investment in Asset Health
- Ofwat's decision regarding additional investment for Adaptation to climate change
- Changes in environmental regulations and guidance that have been introduced since NWG's Business Plan was submitted to Ofwat in October 2023
- The impact that changes in tax laws and other corrections have had on the proposed customer bill impact of NWG's Business Plan

Methodology

This engagement with the People Panel consisted of two parts. Initially an online session was held with all panellists. This was followed by an online survey sent to those that had attended the online session.

Online Session

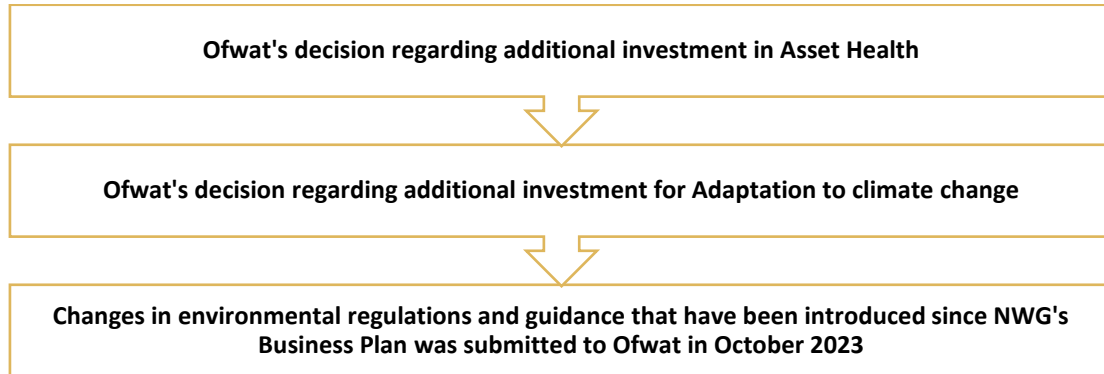
Engagement with the People Panels about the Draft Determinations was originally held as a deliberative session with all panellists, in which they were brought together for presentations of information and then separated into each individual panel (i.e. Northumbrian, Essex, Suffolk and Future Customer) for discussions. Prior to the session they were also asked to read the relevant customer summaries of the Business Plans for NW and ESW. The topics covered in the online session included:



During the session it became clear that panellists were confused by the information presented and, as such, found it difficult to give an informed opinion. This confusion arose primarily because the financial information presented during the sessions did not align to the information given within the Business Plan customer summaries. A further issue was that, during the online session, investments and any potential bill impacts were presented as combined for both NW and ESW. In contrast, throughout their previous engagement with NWG, the panellists have been presented information that was company specific.

Online Survey

To overcome this confusion, all panellists that attended the session were subsequently sent a link to an online survey to complete. The surveys presented information, and potential bill impacts, that was company specific. Topics discussed within the online survey included:



Panellist profile

Online session attendance profile

Panel	Total number of attendees	NW / ESW Total number of attendees
Northumbrian	11	15
Future Customer (NW)	4	
Essex	12	30
Suffolk	14	
Future Customer (ESW)	4	

Survey completion profile

Panel	Total number of completions	NW / ESW Total number of completions
Northumbrian	11	13
Future Customer (NW)	2	
Essex	9	23
Suffolk	10	
Future Customer (ESW)	4	

Summary of findings

Asset Health

Regarding additional investment in Asset Health, panellists in the online session were broadly in agreement that Ofwat's decision should be challenged (53% of NW panellists and 63% of ESW panellists voted in this way). However, within the survey, views differed between NW and ESW panellists. The majority of NW panellists (62%) felt that Ofwat's decision should be accepted, whereas 70% of ESW panellists suggested that the decision should be challenged.

When considering the votes of ESW panellists, there was also a consistent difference between the views of Essex panellists and those from Suffolk. The latter were more likely to feel that NWG should challenge Ofwat, with 75% of Suffolk panellists compared to 36% of Essex panellists voting this way in the online session. In the online survey, 100% of Suffolk panellists argued that Ofwat should be challenged, compared to 60% of Essex respondents.

Adaptation to climate change

When considering additional investment in Adaptation to climate change, votes during the online session revealed a lack of consensus amongst panellists. For NW panellists, votes were equally split regarding whether Ofwat should be challenged (33%), their decision accepted (33%) or panellists were unsure (33%). In contrast, there was slight majority (52%) of ESW panellists that felt that Ofwat should be challenged, 21% felt the decision should be accepted and 28% were unsure.

Within the survey, the views were again mixed. Just under half of panellists (46% of NW and 48% of ESW) felt that Ofwat's decision should be accepted. There was also a substantial minority of panellists (33% NW and 28% ESW) that felt unsure.

There were again differences of opinion between Essex and Suffolk panellists, with Suffolk panellists more likely to feel that Ofwat should be challenged, scoring 50%, compared to 40% of Essex panellists scoring this way.

In terms of asking Ofwat to change how they penalise water and wastewater companies for service failures, over 60% of NW and ESW panellists completing the online survey agreed that Ofwat should reconsider how they penalise water and wastewater companies for service failures caused by extreme weather events.

Changes in environmental rules and regulations

Within the online session, discussions of this investment revealed no strong consensus, with confusion regarding the bill impact figures presented.

Regarding the changes presented to NW panellists in the survey, the option with the greatest acceptability was improving ten more storm overflows, which scored 8 out of 10 in terms of acceptability, followed by building of a long sea outfall which scored 6.64. The lowest scoring change was the installation of less river water quality monitors, scoring 4.31 out of 10 and indicating a low level of acceptance.

In the survey, ESW panellists showed a high level of acceptance when asked about the change to introduce additional water resource projects, with a mean score of 7.52 overall evidenced in response to this change.

The impact that changes in tax laws and other corrections have had on the proposed customer bill impact of NWG's Business Plan

In the online session, panellist opinion regarding whether NWG should make additional investments or reduce the overall customer bill impact again varied by region, NW panellists were less likely to feel that additional investments should be made (33%), in contrast 62% of ESW panellists felt this way.

Again, differences were observed between Essex and Suffolk panellists, with 77% of Suffolk panellists feeling that additional investments should be made and 50% of Essex panellists feeling this way.

Why NWG should challenge Ofwat's decision: common reasons

Across all investments discussed, when panellists felt that NWG should challenge Ofwat, some common reasons underpinning this stance were identified. Panellists often felt that the work was important, both to prevent service failures and for environmental benefit. They therefore agreed with NWG's position that additional investment is required. Alongside this, when the individual bill impacts were presented in the online survey, it was often felt that these were relatively low and, as such, the investments were considered more acceptable.

Why NWG should accept Ofwat’s decision: common reasons

Across investments, when panellists felt that NWG should accept Ofwat’s decision there was an emergent theme of trusting Ofwat as the regulator to explain their decision. This sense of trust had two facets:

1. A belief that as the regulator, Ofwat held customer interests at the heart of their decisions
2. An understanding that Ofwat was best placed to make informed decisions regarding the legitimacy of NWG’s requests for additional investments

This theme was consistently present in both discussions in the online session and in responses submitted within the survey by Northumbrian and Essex panellists. However, it was not mentioned at all by panellists from Suffolk and was less consistently discussed by Future Customer panellists. This is consistent with the overall tendency of Suffolk panellists to vote that Ofwat’s decisions should be challenged.

This pattern is summarised below.

Panellist discussions of trust in Ofwat				
	Northumbrian Panel	Essex Panel	Suffolk Panel	Future Customer Panel
Online session	✓	✓	✗	✓
Online survey	✓	✓	✗	✗

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The logo for 'explain' is located in the top left corner. It consists of the word 'explain' in a lowercase, sans-serif font, with a small square icon containing a white document symbol to its right. The entire logo is set against a white speech bubble background.

explain

The background of the slide is a photograph of a young woman with long dark hair, smiling warmly. She is wearing a light-colored floral patterned blouse and is seated at a white table. The entire image is overlaid with a semi-transparent teal color.

**“Quality is never an
accident it is always the
result of intelligent
effort”**

Introduction

An overview of the project background, objectives and methodology.

Introduction

This report presents the findings of the engagement held by Explain, on behalf of Northumbrian Water Group (NWG), with the People Panels in July 2024.

The People Panels represent customers and future customers from NWG's operating regions, with four distinct Panels:

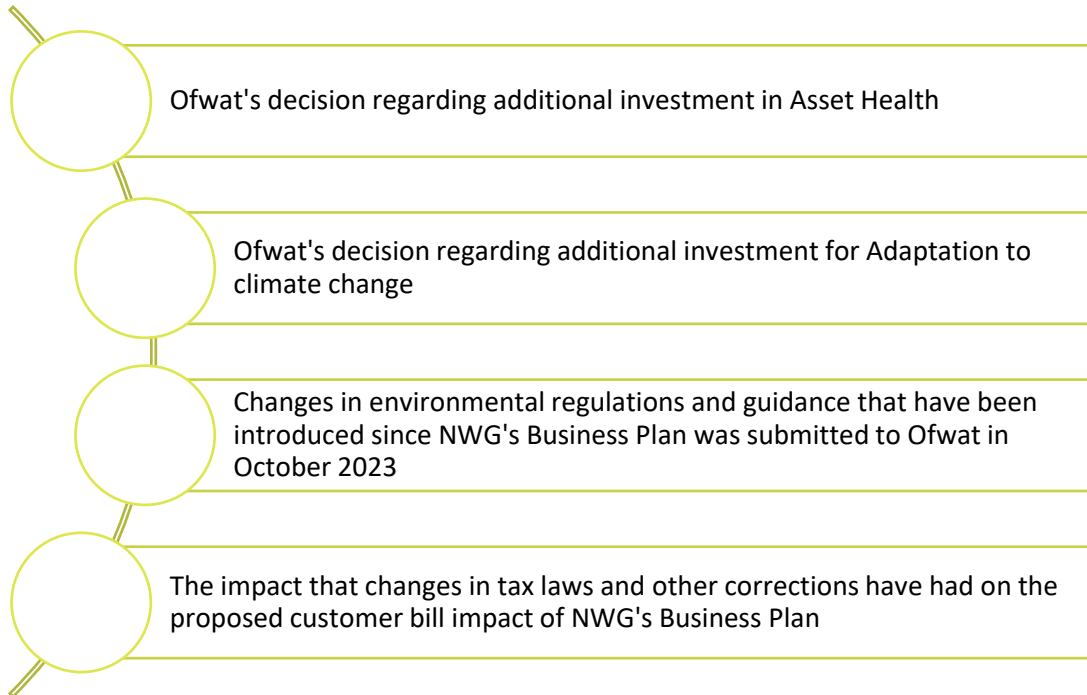
- **Northumbrian People Panel**, consisting of Northumbrian Water (NW) customers
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- **Suffolk People Panel**, consisting of ESW customers from the Suffolk region
- **Future Customer People Panel**, consisting of future customers from both NW and ESW

Since March 2022, all People Panels have been convened regularly and have taken part in deliberative discussions that have helped shape the PR24 Business Plan. They also took part in the qualitative element of Affordability and Acceptability Research. Since then, the Future Customer Panel were engaged in plans regarding NWG's Long Term Delivery Strategy and all Panels have been invited to take part in a Your Water, Your Say Session with some of NWG's senior leaders.



Objectives

All the People Panels were convened in July 2024, with the aim of understanding panellist's views on some aspects of Ofwat's Draft Determination of NWG's PR24 Business Plan. The topics they were asked to consider included:

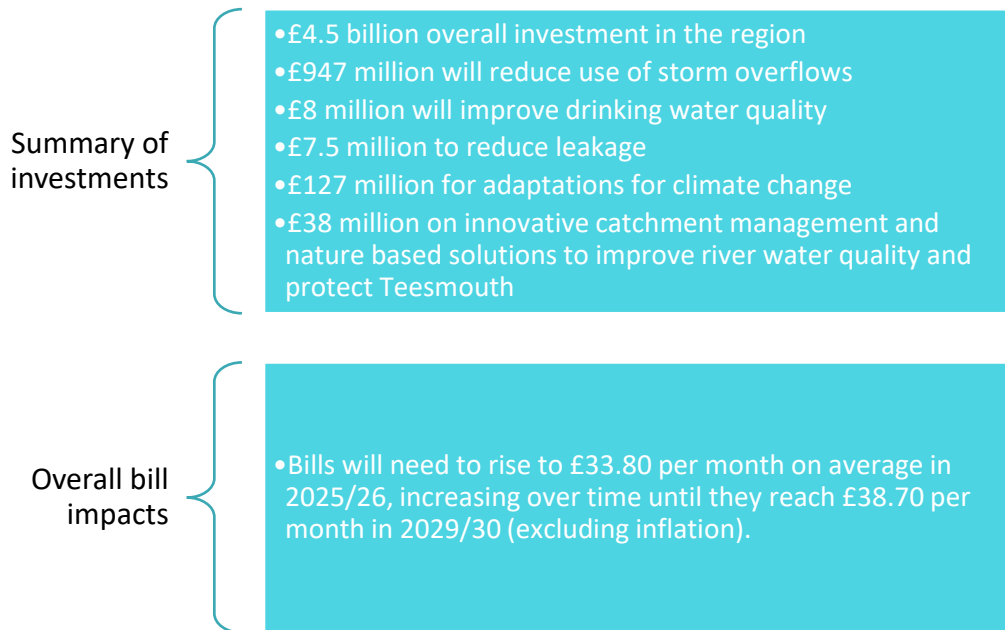


Methodology

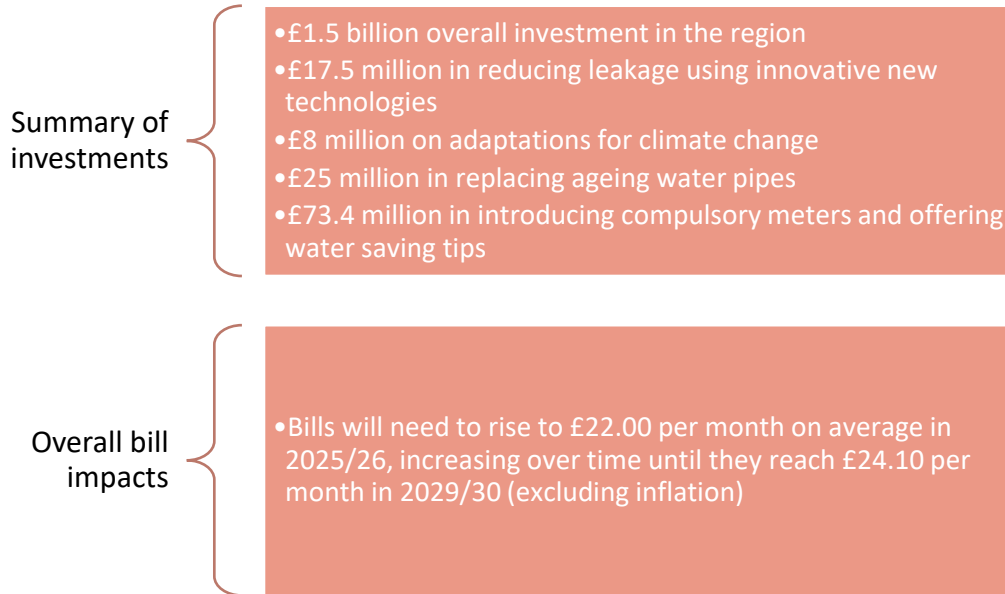
Engagement with the People Panels about the Draft Determinations was originally held as a deliberative session with all panellists on the 18 July 2024. All panellists were brought together for presentations of information and then separated into each individual panel (i.e. Northumbrian, Essex, Suffolk and Future Customer) for discussions. The slides used for this session are shown in Appendix A.

Prior to the session they were also asked to read the relevant customer summaries of the Business Plans for NW and ESW. The investment information presented in the customer summaries is summarised below.

The NW Business Plan customer summary:



The ESW Business Plan customer summary:



During the session it became clear that panellists were confused by the information presented and, as such, found it difficult to give an informed opinion. This confusion arose primarily because the financial information presented during the sessions did not align to the information given within the Business Plan customer summaries. A further issue was that, during the online session, investments and any potential bill impacts were presented as combined for both NW and ESW. In contrast, throughout their previous engagement with NWG, the panellists have been presented information that was company specific.

To overcome this confusion, all panellists that attended the session were subsequently sent a link to an online survey to complete. The surveys presented information, and potential bill impacts, that was company specific. The online survey for NW panellists is shown in Appendices B and C, and for ESW panellists in Appendices D and E. The survey was sent on 25 July 2024 and completions were required by midnight on the 31 July 2024.

Panellists were incentivised for both attendance at the session (£75) and for completion of the survey (£20).

Summaries of the content shared within both the online session and the online surveys are shown in the tables overleaf.



Asset Health content summary

	NW panellists	ESW panellists
The information presented during the online session (the same for NW and ESW panellists)	The additional investment was presented as an overall figure of £112 million	
The information presented to panellists within the online survey (different for NW and ESW panellists)	The additional investment required was an additional £3.00 per year on customer bills by 2030	The additional investment required was an additional £2.20 per year on customer bills by 2030
The question asked to all panellists for vote and discussion in both the online session and survey	Should NWG accept Ofwat's decision to not allow any additional investment in asset maintenance and / or replacement during 2025 to 2030?	

Adaptation to climate change content summary

	NW panellists	ESW panellists
The information presented during the online session (the same for NW and ESW panellists)	The additional investment was presented as an overall figure of £170 million	
The information presented to panellists within the online survey (different for NW and ESW panellists)	<p>The additional investment required was an additional £3.50 per year on customer bills by 2030</p> <p>The investment Ofwat allowed was an equivalent to £1.00 per year by 2030</p>	<p>The additional investment required was an additional £1.80 per year on customer bills by 2030</p> <p>The investment Ofwat allowed was an equivalent to £1.00 per year by 2030</p>
The question asked to all panellists for vote and discussion in both the online session and survey	Should NWG accept Ofwat's decision to allow investment to ensure asset resilience to flooding and to protect water treatment works during very hot weather but not allow for investment to ensure asset resilience against interruptions in power supply?	



Adaptation to climate change content summary

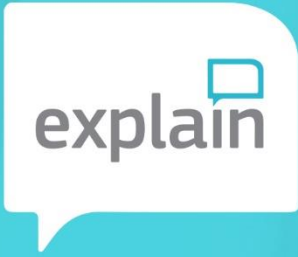
	NW panellists	ESW panellists
The question asked panellists for in the online session only (the same for NW and ESW panellists)	What panellists thought of: (1) building a long sea outfall in the Tees Estuary in addition to nature-based solutions; (2) improvement of ten more storm overflows than planned; (3) the installation of less river water quality monitors than planned; and (4) the requirement to design some potential water resource projects.	
The information presented during the online session (the same for NW and ESW panellists)	<p>All panellists were asked to consider all changes.</p> <p>The additional investment was presented as an overall increase of £76.00 per year before these changes, and £79.00 per year after these changes for NW</p> <p>For ESW this was £1.60 per year and £2.60 per year respectively</p>	
The information presented and questions asked to panellists within the online survey (different for NW and ESW panellists)	<p>Panellists were asked to rate their satisfaction with changes regarding the long sea outfall, storm overflows and river water quality monitors</p> <p>This was an additional £3.00 per year on customer bills by 2030</p>	<p>Panellists were asked to rate their satisfaction with designing more water resource projects</p> <p>This was an additional £1.00 per year on customer bills by 2030</p>



**The impact that changes in tax laws and other corrections have had on the proposed customer bill
 impact of NWG's Business Plan content summary**

	NW panellists	ESW panellists
The question asked panellists for in the online session only (the same for NW and ESW panellists)	Due to changes in tax laws and other corrections, the overall proposed customer bill is now lower than when the Business Plan was submitted in October 2023. Should NWG progress with this reduced bill or should they include additional investments (the bill would be no higher than originally proposed)?	
The information presented during the online session (the same for NW and ESW panellists)	<p>All panellists were asked to consider the changes.</p> <p>For NW, an overall bill increase of 21% before the changes in tax laws and other corrections and 20% after the changes was presented</p> <p>For ESW, an overall bill increase of 14% before the changes in tax laws and other corrections and 13% after the changes was presented</p>	
The information presented and questions asked to panellists within the online survey	This was <u>not</u> asked in the online survey	





“The best vision is insight”

Respondent profile

An overview of the profile of panellists who participated in the research.

Panellist profile

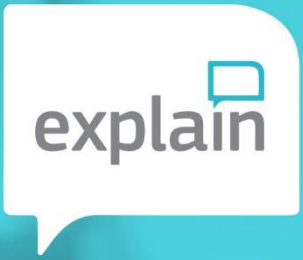
Online session attendance profile

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Survey completion profile

Panel	Total number of completions	NW / ESW Total number of completions
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Results

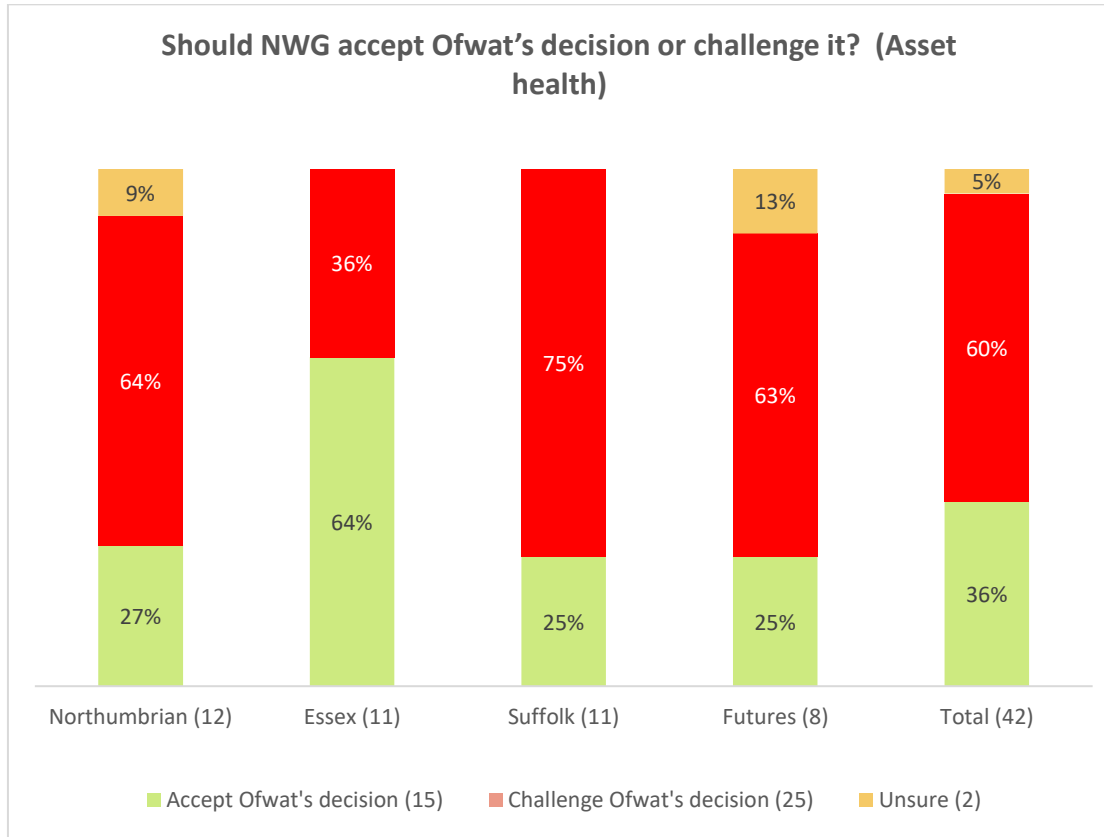
Online Session

Asset Health

To help inform and contextualise discussions, panellists were shown a graphic detailing the number of assets owned and operated by NWG. They were then told that NWG had calculated that an additional £112 million would be required between 2025 and 2030 to ensure effective asset maintenance and replacement and minimise the risk of service failure. Panellists were informed that Ofwat had ruled against this additional investment in the Business Plan, so that NW and ESW would not be able to include any additional investment in their assets.

Before entering discussions, panellists were asked to vote to indicate whether they thought that NWG should accept or challenge Ofwat's decision to deny additional investment for Asset Health. Results are shown overleaf for each Panel, and then aggregated for each company.





Overall percentages for NW panellists

- Accept Ofwat's decision: 33%
- Challenge Ofwat's decision: 53%
- Unsure: 13%

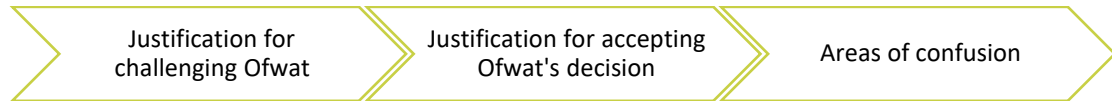
Overall percentages for ESW panellists

- Accept Ofwat's decision: 37%
- Challenge Ofwat's decision: 63%
- Unsure: 0%

From all panellists, 60% voted that NWG should challenge Ofwat’s decision to limit additional spending on Asset Health in their Business Plan. When considering individual panel votes, Essex panellists were less likely to feel that NWG should challenge Ofwat’s decision.



Following the vote, each panel split off into breakout groups to discuss the reasoning behind their votes. As the reasons given by each panel were often very similar, the analysis of these discussions has been ordered as follows:



Justification for challenging Ofwat

Panellists felt that NWG need to maintain and replace assets to prevent any unexpected failures in the systems and to safeguard the water / wastewater systems for the future was of critical importance.

- *“Because you don’t want it to break down. You don’t want the repercussions of them breaking down in the short term really” (Northumbrian)*
- *“Well, I was going to say the same, challenge, purely, the way I think of it is if somebody says, if my garage says to me, your brakes are a bit dodgy, but I think they’ll work for the next five years, or you can give us twelve-pounds-fifty and they’ll definitely work for that five years. What would you do? I mean, you know, I mean, twelve-pound-fifty or find that they fail eventually. It’s the same sort of idea. It’s you look after the things that are most vital” (Suffolk)*
- *“I voted to challenge it as well, because I do think it seems a bit shortsighted and it could, like if we deal with it now and manage things more proactively, it can probably help reduce service failure in the future” (Future Customer)*

Other reasons for challenging Ofwat’s ruling regarding Asset Health related to the relatively small bill impact. Panellists felt that a small increase now would reduce the risk of a higher cost in future if the systems were to fail completely.

- *“Yeah, I’m much the same as everybody else. I agree completely like two-pound-fifty in a year for reducing, potentially reducing pollution events is a very small price to pay and I think they should challenge it’ (Suffolk)*
- *“For two-pounds-fifty, for an asset that’s gonna make everything, you know, well, that’ll make everything better. It’s gonna potentially not go wrong. I just don’t really see why they would say no” (Suffolk)*
- *“I voted to challenge it because I felt that it’s been very shortsighted for what seems to be a minimal extra cost to potentially have issues which could result in pollution or other issues. It*



seems very shortsighted to me, that they would do that, oh sorry, not give permission for that” (Essex)

- *“Eventually it is going to cost a hell of a lot more and if he has got the evidence to prove that, it needs to be done, then why not do it and challenge them?” (Northumbrian)*

Justification for accepting Ofwat’s decision

Some panellists stated that Ofwat were well placed to make an educated decision on the additional investments requested within NWG’s Business Plan and therefore should be trusted to make the right decision.

- *“I accepted it because I thought that if I... I really like the value, the fact that we have got all these companies that, like ‘Ofwat’ and ‘Ofgem’ and I think that if Northumbrian Water... I am pretty sure, they would have put everything together that they needed to, to argue the point, in the first place. So, they probably looked at it, you know, reasonably well to come to that decision” (Northumbrian)*
- *“I voted for the it, for the Ofwat reason because I am sure that they would have made their own tests and everything else before coming to... to reaching that decision” (Essex)*
- *“So yes, the water company might have, in a sense, have a better understanding, but it’s a business. So that’s why Ofwat has that, the way I understand it, that role, to regulate if the price increase is justified. So, my belief is, if Ofwat challenged it, there must be a reason and it makes additional evidence, which the water company should provide” (Essex)*

Aligned to this was a sense that Ofwat, as the industry regulator, had the best interests of customers at heart.

- *“I voted for Ofwat as well, because I think they have probably got the customers best interests focus more than the water companies, because they’ve probably got the shareholders and profits in mind” (Essex)*
- *“So, for me, I do trust the Ofwat as a regulator, is there to protect the citizens from paying too higher bills. So, that is my issue” (Essex)*
- *“So, I personally feel that Ofwat are just protecting us, the customer, which that’s obviously what they are meant to do. In regard to us spending out unnecessary amounts of money*



when it is just an assumption that this could happen, do you know what I'm trying to say"
(Northumbrian)

- *"...Ultimately Ofwat would know more about all these issues than the likes of me and anyone else in these focus groups, unless they were working in the industry. So, they clearly know what they're talking about more than me. So, if that's what they think is necessary to fix certain problems and whatnot, then let them go for it" (Future Customer)*

Areas of confusion

There was confusion amongst panellists around the presented value of the additional investment, and the implications of Ofwat's decision on customer bills, with panellists questioning whether this meant that there would be any investment at all around Asset Health between 2025 and 2030.

- *"No, it doesn't make sense to me. How does that relate to the increase we saw earlier?"*
(Main room)
- *"Yeah, that's my point. I couldn't quite see where that fits in with the seventy-nine pounds increase. Whether it was part of that seventy-nine, or whether we were talking about another fifty-three pounds on top of the seventy-nine which we've already talked about"*
(Main room)
- *"In the document that we were sent, sorry, it says twenty-two pounds per month, and then in 2030, it'll go up to twenty-four pounds ten per month, the bill will increase" (Main room)*

Additionally, there was confusion regarding how the overall level of investment presented in the session related to the figures presented in the customer summary of the Business Plan (shared with panellists prior to the session).

- *"Yeah. So, that's why I'm thinking, do we have all the information? Because we are discussing and we are voting, but I feel that it's so much confusion that I feel misled [sic] actually" (Main room)*
- *"Could you provide us with a breakdown at the next session? Because this is very... I'm trying hard, but the confusion... and I'm not stupid, okay...but it's not adding up at the moment and I can understand it's not adding up.... You need to, I think, go back, and when we come next time, just give us a proper breakdown so we can understand it, yeah? Thanks" (Main room)*

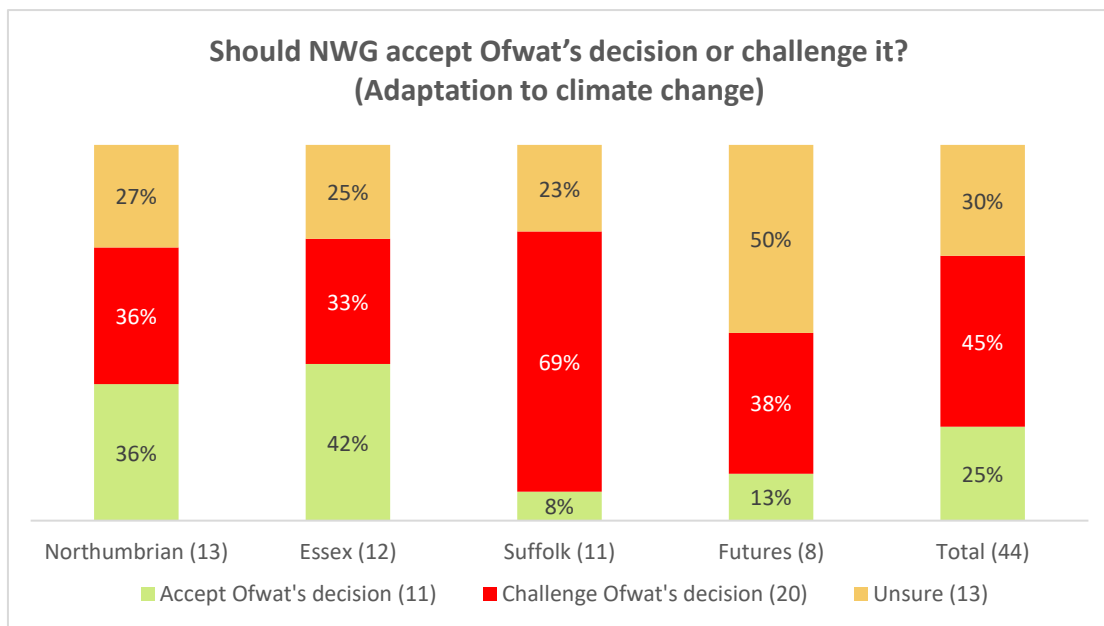


Adaptation to climate change

This discussion centred around NWG’s plans to protect their assets from the impacts of severe weather, brought about by climate change. Panellists were told that an additional £170 million investment was requested within the Business Plan, to make assets resilient to flooding and from power supply interruptions, as well as to protect water treatment works from the impact of extreme heat.

It was then explained that in Ofwat’s Draft Determination, NWG were permitted £50 million of the initial £170 million requested. This would enable work to be undertaken regarding protection from flooding and heat, but not regarding resilience to power supply interruptions.

Following this, panellists were asked to vote on whether they thought NWG should accept or challenge Ofwat’s decision.



Overall percentages for NW panellists

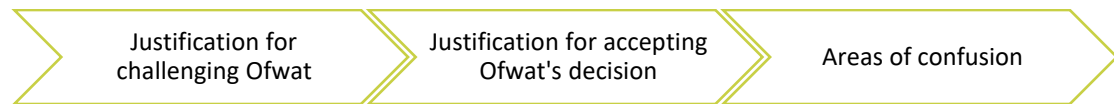
- Accept Ofwat's decision: 33%
- Challenge Ofwat's decision: 33%
- Unsure: 33%

Overall percentages for ESW panellists

- Accept Ofwat's decision: 21%
- Challenge Ofwat's decision: 52%
- Unsure: 28%



As with Asset Health, reasons underpinning votes were similar across regions and therefore have been presented as follows:



Justification for challenging Ofwat

Panellists voting that the decision should be challenged felt that the risks of the impact of climate change were substantial and, therefore, the additional investment was necessary in order to future proof assets, minimising the potential impact of the effects of climate change on service delivery.

- *“Probably just the obvious, in terms of, needing it in the future. Needing, or there being more incidents where Northumbrian Water needed a back-up supply, and it wasn’t there and it was something they are wanting invested in” (Northumbrian)*
- *“I think it's better to protect against it now than wait to the future where, then have another sudden shock in a bill because of an incident directly related to climate change. I think if, as we can do as much as we can now, even if there is an increase in the bill, I think it's going to be worth it because climate change is no joke and we've all got to seriously think about what our actions are and yeah, obviously how that relates to water because obviously it could mean more severe droughts or more severe storms. It could be, kind of, either way on the scale and it's quite worrying. So, I do think that the full amount should have been granted” (Future Customer)*

Another reason given by one respondent to challenge Ofwat was a belief in the validity of NWG’s judgment. If NWG felt that climate change adaption was of enough value to include in their Business Plan, then they should challenge Ofwat.

- *“If Northumbrian Water felt like it was something that was actually valid enough to the proposal forward to charge, then I would... that’s what, I said I would challenge it, because if they felt that it was worthwhile enough to do, then they should probably fight for it” (Northumbrian)*



Justifications for accepting Ofwat's decision

In contrast, some panellists felt that the future impact of climate change could not be predicted. Therefore, there was less need to receive additional funding from customers to negate potential risk.

- *“So, I said to accept Ofwat’s decision, purely just because if Ofwat have said there's no way to predict where the, like power shortages are going to be, what's the point in investing a hundred-and-twenty million more, for something which they are not entirely sure how Northumbrian Water are going to do that” (Future Customer)*
- *“Yeah, accept Ofwat’s decision. Just because, like, the research isn't completely concrete” (Future Customer)*
- *“Because, you know, they're worried about the heat. They should be putting more into these knowledge, into the chemical side of it and the heat side of it rather than, they can't predict what's gonna happen in five years' time, can they, do you know what I mean, I understand that they, they've got a view, but they don't know that that's what's going to happen” (Suffolk)*

Other panellists again suggested that they trusted the views of Ofwat as a regulator to act on the best interests of the customers.

- *“I trust a regulator, an independent well. It's supposed to be independent independence regulators decision. I think it probably strikes the best balance” (Essex)*
- *“So, I did vote to, kind of, trust in Ofwat essentially. I do, kind of, think as a regulator, they’re more on the customer side, rather than the business of the water company” (Essex)*
- *“I would lean to Ofwat because I'm sure they've done their due diligence to make sure they’ve looked at all the evidence being provided by yourselves to come to that decision” (Essex)*
- *“I voted to accept what Ofwat’s decision is again. Just because I think that I don’t know, these things can go on for forever and a day, can’t they? Northumbrian won’t have had the opportunity to put everything together in their plan. So, if it’s rejected, it’s for a good reason” (Northumbrian)*



Areas of confusion

As with discussions relating to Asset Health, panellists felt confused about the monetary values being discussed. This led to some feeling that they were being misled during the session and asked to vote without being given the necessary information.

- *“Yeah. So, that's why I'm thinking, do we have all the information? Because we are discussing and we are voting, but I feel that it's so much confusion that I feel misled [sic] actually” (Main room)*
- *“So, bills are not going up seventy-nine pounds? I'm still..., the increase that we weren't expecting is fifty-something pounds?...” (Main room)*



Changes in environmental regulations and guidance

Changes to environmental regulations and guidance since NWG submitted their Business Plan in October 2023, and subsequent changes to bill impacts, were then explained to panellists. These changes included the requirement to build a long sea outfall at the Tees Estuary in addition to nature based solutions proposed (NW), improving ten more storm overflows than planned (NW), fewer river water quality monitors (NW), and designing more water resource projects (ESW).

Discussions regarding changes in environmental regulations and guidance were held as an overall group (i.e. not within individual Panels in breakout rooms). Overall, no consensus was reached as panellists were confused by the financial implications of the discussions. For example, how the projects would be funded, and whether the spending would be immediate or spread across the five years of the Business Plan.

- *“Is the extra two hundred million for the pipe out to sea spread out over this five-year business plan or carried forward?” (Main room)*
- *“Nearly two hundred million for the long sea outfall, what is the majority of that cost for?” (Main room)*

Further, panellists questioned why they were being asked their opinion when it had been acknowledged that NWG must accept the changes.

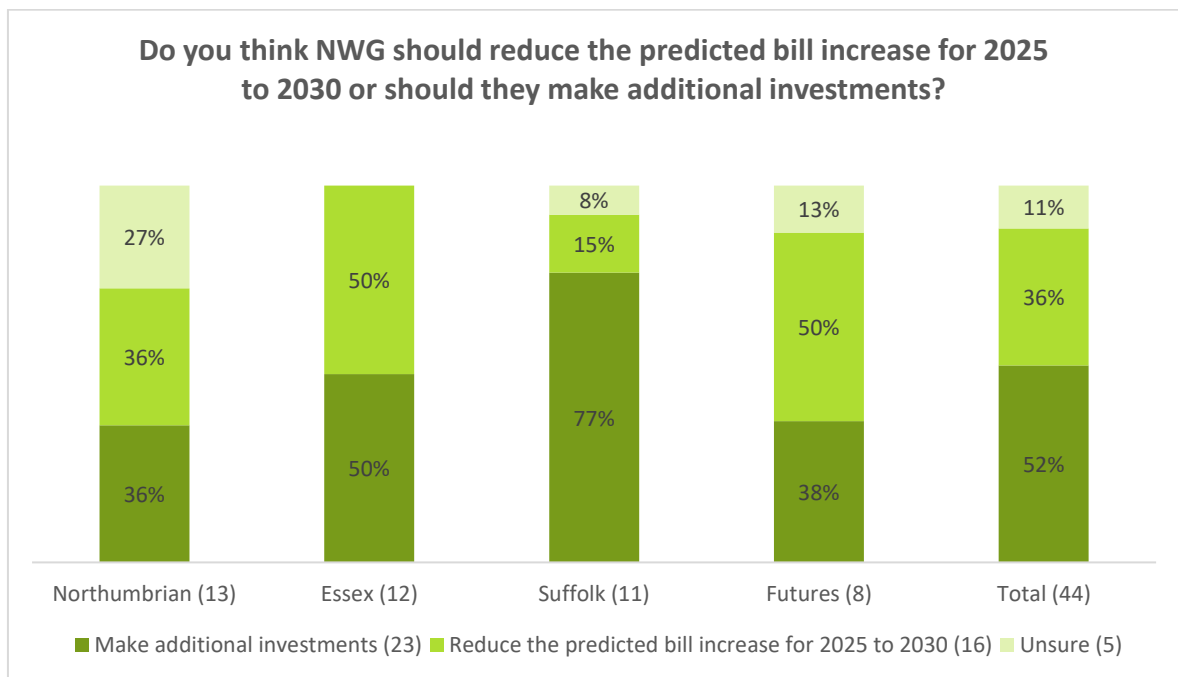
- *“it's great that we're talking about this, but what I'm getting from what [NWG representative] said and just generally from this, what can we do? If Ofwat say, “You've got to do this,” at the end of the day, have we actually got to do it?” (Main room)*
- *“But it's just around, whatever we say here today, I fully understand that you'll take our views on board and you'll go back, but can it actually alter what they're going to say? I get the feeling that whatever Ofwat say is pretty much a done deal. Or am I missing something? I may well be” (Main room)*



The impact that changes in tax laws and other corrections have had on the proposed customer bill impact of NWG's Business Plan

It was explained to panellists that, due to changes in tax laws and other corrections, the predicted proposed increase in bills for customers is now 1% lower than what was initially put forward in the Business Plan in October 2023.

The following vote centred around whether panellists thought NWG should reduce the predicted bill increase for 2025 to 2030 or whether they should use the shortfall to allow additional investments (acknowledging the overall bill would not be higher than originally planned). The findings, shown below, indicate disparity in views between regions. Please note, no discussions were held on this matter within the session.



Overall percentages for NW panellists

- Make additional investments: 33%
- Reduce predicted bill increase: 40%
- Unsure: 27%

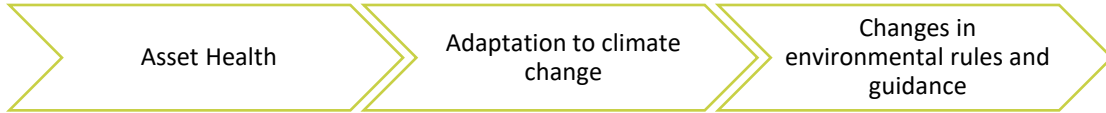
Overall percentages for ESW panellists

- Make additional investments: 62%
- Reduce predicted bill increase: 34%
- Unsure: 3%



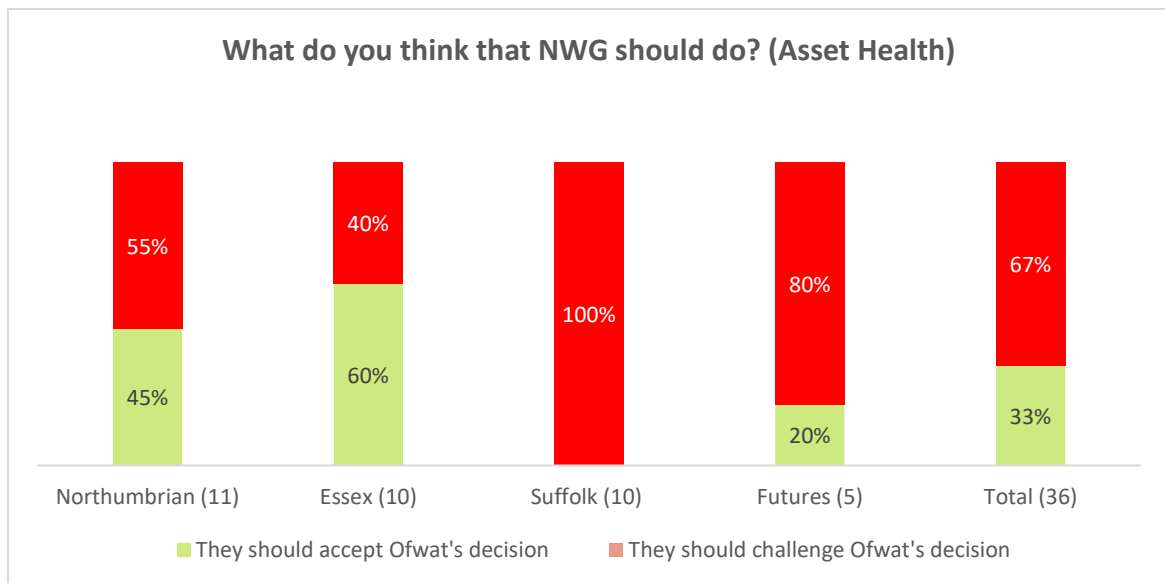
Online Survey

The findings of the online survey sent to panellists are presented as follows:



Asset Health

When panellists were asked whether NW / ESW should either accept or challenge Ofwat’s decision to not allow additional investment for Asset Health, results were largely consistent for Northumbrian and Essex panellists. However, Suffolk panellists were strongly in favour of challenging Ofwat (100%). As a consequence, there was an overall regional difference in views with ESW panellists more strongly in favour of challenging the decision. No panellists reported feeling unsure.



Overall percentages for NW panellists

- They should accept Ofwat's decision: 38%
- They should challenge Ofwat's decision: 62%

Overall percentages ESW panellists

- They should accept Ofwat's decision: 30%
- They should challenge Ofwat's decision: 70%



Whilst survey results indicated that the majority view for ESW panellists was different to NW panellists, the views underpinning these votes were similar in both regions. This is now explained in more detail.

Reasons to challenge Ofwat's decision

Panellists who felt that Ofwat's decision should be challenged argued that NWG's assets are critical and agreed with NWG's stance that additional investment is required to reduce the risk of service failure.

- *"Investment is essential, some assets are not fit for purpose and are only just surviving, lack of investment here will cause disruption and a bigger cost in the future" (Northumbrian)*
- *"Continuous investment in Asset Health is very important in ensuring quality service to customers" (Northumbrian)*
- *"This work is critical. If this works is not completed this will lead to further expense for Essex and Suffolk water but also to the household and bill payer. This no doubt would be a significant higher cost to all" (Suffolk)*
- *"Essex and Suffolk water are in a better place to understand the amount of investment needed, it would be better to over invest than under invest going forward. The extra increase in customer bills over 5 years is acceptable" (Essex)*

Alongside the importance of minimising the risk of service failure, it was also felt that the bill impact for additional investment in Asset Health was relatively small for both regions.

- *"An extra cost of £3 per year is probably worth the higher reliability" (Northumbrian)*
- *"It seems a small amount of money added to the bill to ensure that this work is carried out to avoid possible impact on customers" (Northumbrian)*
- *"Better to maintain assets. Cost per customer small" (Suffolk)*
- *"Because if it will prevent any service failures and maintain their asset it's worth the investment, it's a small cost" (Suffolk)*

It was also argued that Ofwat should not ignore how customer views helped shaped the Business Plan. If customers felt that a middle ground investment in Asset Health was both necessary and fair, then Ofwat should agree with this decision.



- *“As a business, you have forecasted for increased maintenance of your assets. These have been identified in multiple areas, with plans to conduct maintenance predominantly on the areas that you service regularly. If, as customers, we have agreed a middle ground and have authorised the initial invest; I think it is unfair for Ofwat to rule that the money cannot be invested. The investment is ethical and helps with prevention, rather than creating solutions once an issue has occurred. Assets will continue to deteriorate without intervention and, therefore, will likely exacerbate problems if they are not addressed in the 25-30 period. In turn, stakeholders will need to invest more, and the customers are likely to see price increases on the future. I think you need to pushback on this decision” (Suffolk)*
- *“If, as customers, we have decided that we would rather have a modest increase in the bill to maintain the assets effectively, then I don't understand why Ofwat would challenge our decision” (Northumbrian)*

Reasons to accept Ofwat's decision

Conversely, some panellists felt that Ofwat's decision should be trusted as they, as the industry regulator, could make impartial and evidence-based decisions regarding the level of investment required.

- *“Ofwat have made the decision based on the information Northumbrian Water provided so it would have been an informed decision with the customer in mind. I have confidence that Ofwat make the right choices so it shouldn't be challenged” (Northumbrian)*
- *“Ofwat are the economic regulator to protect customers interests, make sure companies can finance and function. They are not wholeheartedly working in the interests of the environment” (Northumbrian)*
- *“Ofwat are an independent arbiter who have decided in the fee payers interest so I'm on board” (Northumbrian)*
- *“I think Ofwat is correct in their decision because they are making sure the customer is getting affordable water even for those on low incomes” (Essex)*
- *“Ofwat is clear that Essex Water should be able to do the maintenance within the current bill” (Essex)*



Finally, one panellist felt that Ofwat's decision aligned to an overall argument that customer bills should not increase in order to allow this work to be carried out by NWG.

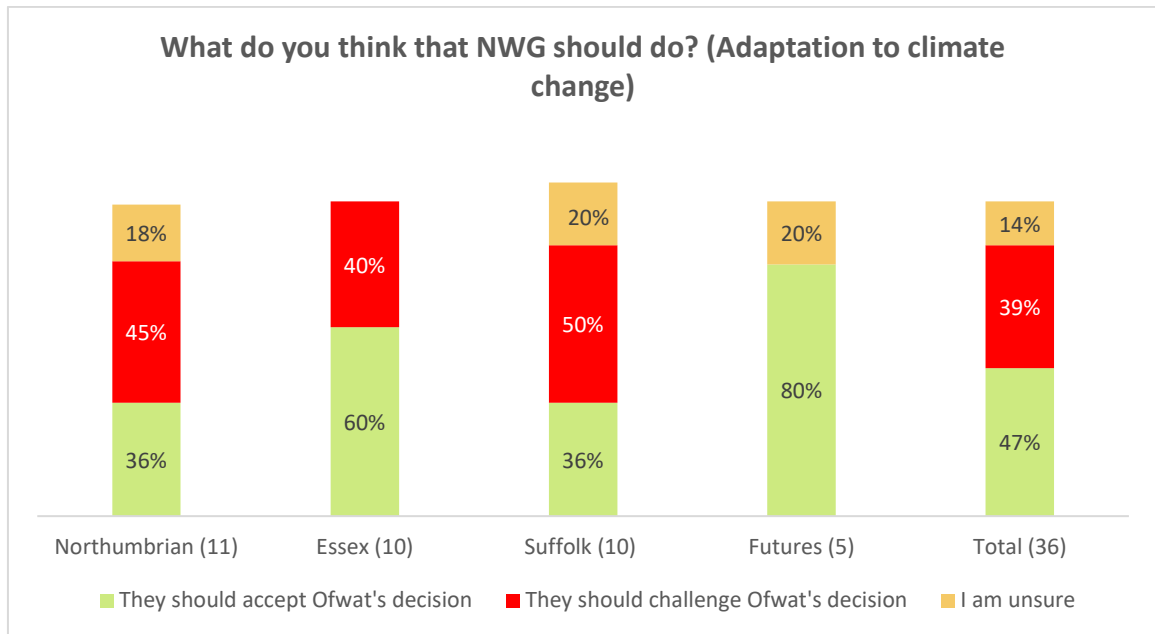
- *“The maintenance needs to happen, but I feel the options here are inadequate as in people's panel we raised time and time again that customers should not foot the additional bill for all this required work... Equally, there is no option for Essex & Suffolk Water to accept the Ofwat recommendation and actually do the work out of the money already being taken - something which Ofwat clearly feel is possible and should be happening. These choices are disingenuous at best and do not allow the people's panel to have a true voice. The work is needed but I strongly resent the cost being passed on” (Suffolk)*



Adaptation to climate change

Panellists were asked to vote whether they thought that NW / ESW should either accept or challenge Ofwat’s decision to not allow additional investment to ensure assets are resilient to power supply interruptions (whilst allowing investment to ensure they are resilient to flooding and that water treatment works are resilient to the impacts of high temperatures).

The results, below, indicated that a consensus was not reached. Whilst findings did not differ according to regions, opinions were mixed regarding the stance that NWG should take.



Overall percentages for NW panellists

- They should accept Ofwat's decision: 46%
- They should challenge Ofwat's decision: 38%
- I am unsure: 15%

Overall percentages for ESW panellists

- They should accept Ofwat's decision: 48%
- They should challenge Ofwat's decision: 39%
- I am unsure: 13%



As with Asset Health, the reasons underpinning votes were similar across region and are summarised below.

Reasons to challenge Ofwat's decision

Panellists argued that, due to the critical nature of the impact of climate change, they agreed with NWG's stance that investment was a priority to ensure that disruption was avoided in regard to system failures.

- *"Again, investment is essential, if this in line with customers decisions and their wants then Northumbrian Water should be allowed to do this. Similarly to the last question, lack of investment now will have a huge knock on effect in the future" (Northumbrian)*
- *"Again it seems a little amount to be sure that any unexpected failures occur" (Northumbrian)*
- *"Asset resilience is crucial for ensuring that we receive the services we pay for each month. Without resilient assets, we will face long-term consequences" (Northumbrian)*
- *"Need commitment to other things beyond the cost of the bill. Otherwise there will be greater inequality where when power cuts etc happen. Who pays then?" (Northumbrian)*
- *"Essex & Suffolk Water should request the full investment. They are fully aware of the negative impact not having the Adaptations would bring. Essex & Suffolk Water are representing their customers and should ensure that they challenge Ofwat!" (Essex)*
- *"I think it is importance that water supply service is kept active at all times" (Essex)*
- *"The rationale for this answer follows similar logic to the previous answer; that being prevention over solution. While I understand Ofwat's rejection reason, that you cannot forecast national grid outages, it doesn't mean you shouldn't attempt to protect assets and our clean waters. Investments like these are intended to help ameliorate disaster recovery situations and every business needs to have redundancy built in. For me, it feels like Ofwat has decided to decline the investment with this justification because it is a hard statement to argue. I think the bigger picture is ultimately being missed here; prevention is better than a solution" (Suffolk)*



Reasons to challenge Ofwat's decision

Panellists agreed with Ofwat's stance that NWG cannot predict with sufficient certainty what the impact of climate change will be. Notably, Ofwat was viewed by some panellists as acting in the best interest of the customer.

- *"I think that if Ofwat think that Northumbrian Water can't predict future weather, then it is a good idea to accept Ofwat's decision until technology advances and can predict more effectively" (Northumbrian)*
- *"Similar to last answer. I have faith the choice made by Ofwat was an informed one therefore think Northumbrian Water should stand by it. There are bigger issues which needs investment regarding climate change at the moment" (Northumbrian)*
- *"Ofwat's position appeals to me, as they've stated, "Northumbrian Water can't predict what the future risk of loss of national electricity power supplies will be." And I think so too" (Northumbrian)*
- *"I feel as though Ofwat is protecting the customer in this way as they do not anticipate electricity issues being a problem. However, I don't think 80p is a huge price extra to pay yearly to have that option, especially as it has been an issue in the past and E&S water are at risk of fines. I would be happy to pay this" (Futures)*
- *"Ofwat as a body knows best what Essex Water should do" (Essex)*
- *"Ofwat is a regulatory body who will voice for the customers benefit" (Essex)*
- *"I feel as though Ofwat is protecting the customer in this way as they do not anticipate electricity issues being a problem" (Futures)*

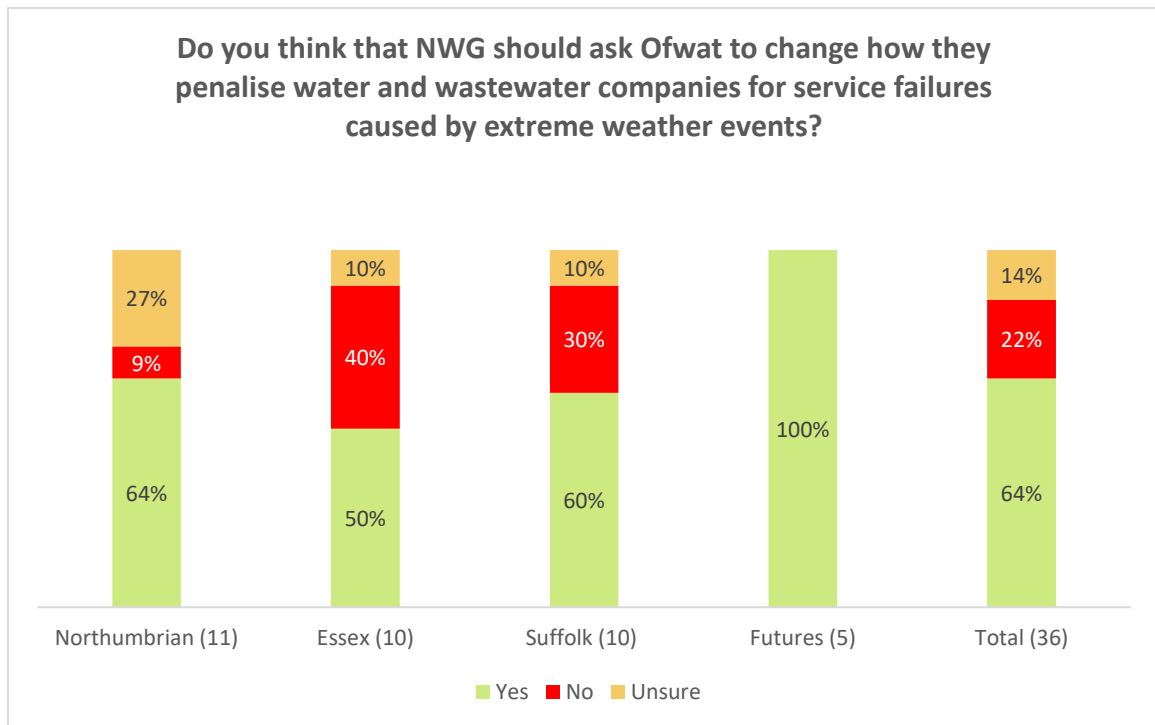
Finally, for some ESW customers, justification to accept Ofwat's decision lay in perception of risk. They argued that power cuts were rare and, therefore, additional investment was unnecessary.

- *"Regarding power cuts, in Essex we don't get them often enough to claim for what may be. We may not get a power cut for 2 years so you can't really claim for it" (Essex)*
- *"I tend to agree that, in this case, E&SW cannot take payment for something that may not happen" (Suffolk)*



Should Ofwat reconsider how water and wastewater companies are penalised in the event of service failures caused by extreme weather events?

After being asked whether they thought Ofwat’s decision should be accepted or challenged, all panellists were asked whether they thought that NWG should ask Ofwat to reconsider how water and wastewater companies are penalised in the event of service failures caused by extreme weather. Voting (overleaf) revealed that the majority of both NW and ESW panellists felt that Ofwat should be asked to reconsider.



Overall percentages for NW panellists

- Yes: 69%
- No: 8%
- Unsure: 23%

Overall percentages for ESW panellists

- Yes: 61%
- No: 30%
- Unsure: 9%



When asked to explain their decision, panellists from both regions suggested that it is unfair to limit the spending that NWG can make in their Business Plan and then also penalise them for circumstances out of their control. Panellists suggested that Ofwat were not permitting suitable investment to minimise the risks imposed by extreme weather events.

- *“If NW had asset resilience as requested in the business plan, there would be no problem with the assets. Therefore, it is Ofwat’s responsibility as they are denying Northumbrian Water the right to prepare for such occasions” (Northumbrian)*
- *“If Northumbrian Water are actively asking to fix a problem and Ofwat reject their request they should not be fined. Would Ofwat receive any penalty for refusing something that later had an impact” (Northumbrian)*
- *“They’re not allowing that spending but still punishing for it so, seems fair to ask Ofwat to review it” (Northumbrian)*
- *“Most definitely. It is unreasonable to impose restrictions then penalise as result of the restrictions being implemented” (Northumbrian)*
- *If Ofwat do not allow them to fund back up they shouldn’t fine them for events outside of their control” (Suffolk)*
- *“Double Standards Ofwat!! You cannot charge if you won’t let Essex & Suffolk Water have additional funding for extreme weather and interruptions to power supply etc” (Essex)*
- *“I do believe measures should be put in place for extreme weather from the water company however I do think the water company can’t be penalised for the type of weather that comes” (Suffolk)*

In contrast, around a third of ESW panellists that argued that Ofwat should not change how they penalise water and wastewater companies as they felt that companies should already have plans in place to negate unforeseen issues in the network.

- *“Climate change is not a new issue, and therefore there should have been some forward planning in place before now. It’s not reasonable to say it’s not our fault when extreme weather events are increasing and water companies should have awareness of this. Again, not good enough to see you expect more money to have an ability to plan ahead - should be a core standard from the company already” (Suffolk)*



- *“Water companies should have a sufficient (even if it's not excellent) plan for dealing with rate cuts in extreme weather” (Essex)*
- *“Though I dislike the idea of Ofwat even existing, the water companies must be prepared for extreme weather events, etc. and if they are not, it is putting many people at risk of not having essential resources available to them so a penalisation is needed to express the importance of being ready. Plus, our storms, etc. are far less violent than other places in the world so I'd like to think they do know how to deal with them!” (Futures)*



Changes in environmental rules and regulations

Finally, panellists were asked their opinions on changes in environmental rules and regulations. The questions asked to panellists within the survey were company specific and are presented separately within this report.

NW panellist views

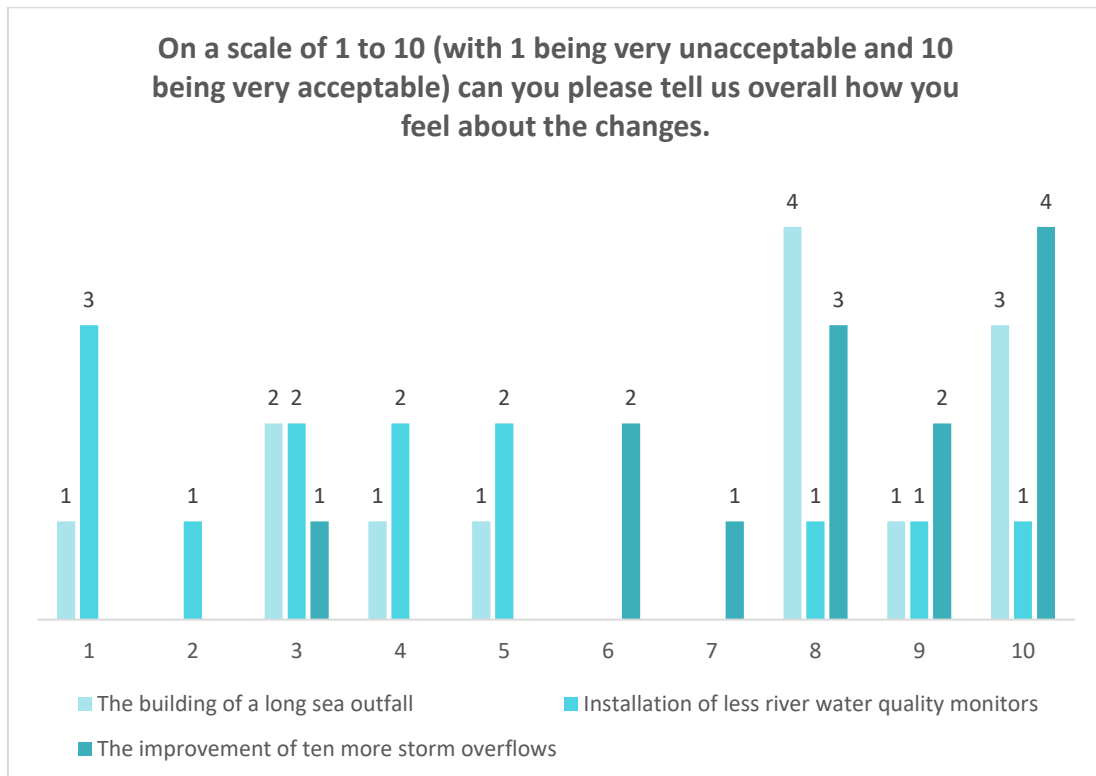
NW panellists were asked to indicate how acceptable they found three different changes in environmental rules and regulations: (1) building of a long sea outfall; (2) improvement of ten more storm overflows; and (3) installation of less river water quality monitors.

Mean scores indicate that there are mixed views, with panellists finding the installation of less river water monitors to be less acceptable than the improvement of more storm overflows and the building of a long sea outfall.

Improving ten more storm overflows	Mean Score 8.00
Building a long sea outfall	Mean Score 6.64
Installation of less river water quality monitors	Mean Score 4.31

Frequencies are shown overleaf.





Thoughts relating to river water quality monitors

All panellists indicated that monitoring river water quality was important. Voting differed according to how necessary panellists viewed the additional monitors. Those who found this change to be less acceptable believed that less monitors would result in less effective monitoring.

- *“With all the emphasis on "Net Zero," "Global Warming," and "Eco-friendly" ideologies in society, I fail to understand why Ofwat would make the decision to reduce the number of river quality monitors” (Northumbrian)*
- *“Need data about the environment to evidence river health and understand changes” (Northumbrian)*
- *“If the riverways and areas are under the jurisdiction of certain water company's not just Northumbrian Water, they absolutely should be monitoring these better not less then!” (Northumbrian)*

In contrast, several panellists did note that they believed that additional river water quality monitors were not useful and therefore found this change to be more acceptable.



- *“I'm not confident that extra monitors will lead to any positive action. It's just data gathering for no real purpose unless the information is used to improve/protect the rivers” (Northumbrian)*
- *“If the same net result can be achieved with fewer monitors so much the better but if reducing the number increases the undesirable effect then no” (Northumbrian)*

Thoughts relating to storm overflows

The most commonly voiced reason for the high acceptability of this change was a belief that spills from storm overflows need to be reduced.

- *“Storm overflows seem to be on the increase if this trend continues then these highly undesirable events need greater attention albeit additional funding” (Northumbrian)*
- *“It's a problem in lots of places so improving it it's best” (Northumbrian)*
- *“Storm overflows need to be reduced so I'm in favour of this” (Northumbrian)*
- *“An increase in the number of storm overflows to be improved will have positive impact on the environment” (Northumbrian)*
- *“Storm overflows cause damage to us and the environment therefore it is important Northumbrian Water find ways to overcome this” (Northumbrian)*

One respondent stated that this appeared to be a positive change but wanted more information about the subject and how the ten storm overflows would benefit customers and the environment before deciding.

- *““It seems like a positive thing but again, I haven't got all of the information I need to determine whether I think it's a good thing. Where are they placed? How often are they predicted to be required? What is the environmental impact of the works and will any works benefit the environment in the long run?” (Northumbrian)*

The building of a long sea outfall

Panellists that found this change to be acceptable did so because of their perceptions of the environmental benefits of this change.

- *“An essential need, should be done more so in my opinion” (Northumbrian)*



- *“Acceptable as it is important to remove nitrogen from the environment and the pipe will allow the nitrogen to be disposed of in a more environmentally friendly way” (Northumbrian)*
- *“This requirement is acceptable to me because of its positive environmental impact” (Northumbrian)*

They also argued that this work represented a long-term solution to the reduction of nitrogen.

- *“It should be a long-term solution to the problem the benefits of which will be achieved year on year” (Northumbrian)*
- *“Necessary work/long term investment” (Northumbrian)*

In contrast, those who found this change to be less acceptable were concerned that the outfall did not represent a truly environmentally sound solution.

- *“Because the sea is not our private dumping ground. We have the technology as a species to be able to deal with our waste on land” (Northumbrian)*
- *“I strongly disagree with the idea of dumping waste into the ocean. While it may seem insignificant on a small scale, if every country in the world, with a current population of 8 billion people, is allowed to do so, it will lead to further contamination of the ocean. The original Northumbrian Water plan to implement nature-based solutions makes much more sense” (Northumbrian)*
- *“Is this not worse for the environment?” (Northumbrian)*

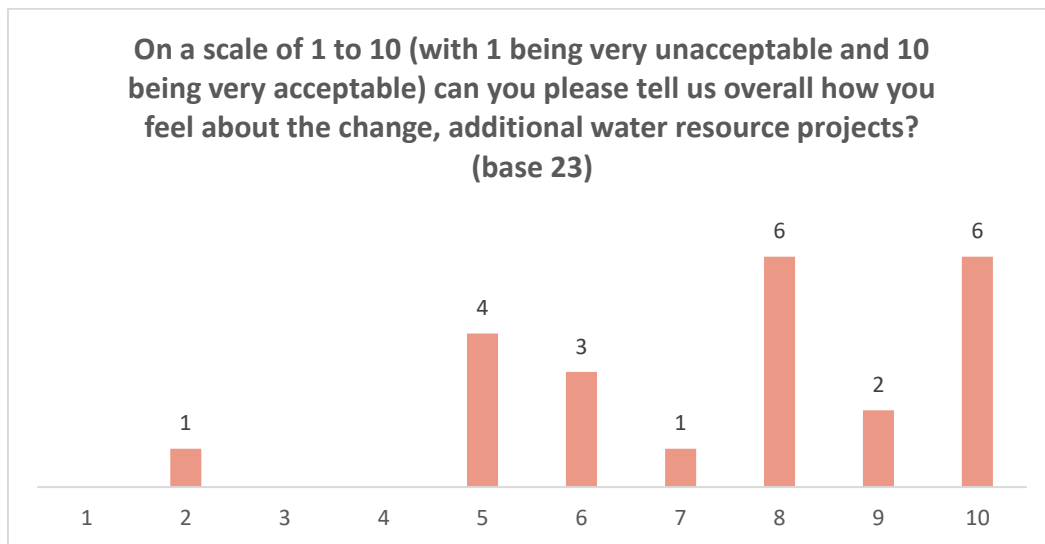


ESW panellist views

ESW panellists were asked to rate how acceptable (on a scale of 1 being very unacceptable and 10 being very acceptable) they found the requirement to invest in additional water resource projects. The results, shown below, indicate that panellists find this change acceptable (mean score of 7.52 out of 10).

Investing in additional water resource projects	Mean Score 7.52
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The frequency of scores is shown below.



The primary reason given to explain why panellists voted in this way was the need to protect the environment and future proof the water resources that are available to ESW.

- *“For such a small cost which will help the environment I think it’s worth it” (Suffolk)*
- *“The extra funding will become essential to build and provide future capacity” (Suffolk)*
- *“I believe that maintaining rivers is important and that we should build resilience to store water rather than remove from nature” (Suffolk)*

Panellists also noted favourably the relatively low bill impact of these water resource projects.



- *“I think the changes proposed are important and could be done within the slight bill increase suggested. The changes are in my view feasible” (Essex)*
- *“I care about the environment and I think this regulation would be a good idea, I also don't feel as though £1 is a huge amount to help the environment and provide future sustainability. However, with all of these extra costs being added yearly, I am hopeful that E&S water can find a way to financially support customers” (Futures)*

Some panellists argued that they trusted Ofwat and if Ofwat viewed these investments as necessary then this should be accepted.

- *“Ofwat knows best what is needed and water company should proceed” (Essex)*
- *“If the regulator thinks it's necessary, I trust they have consumers best interests at heart” (Essex)*

Finally, there was a note of caution from one panellist, who accepted the necessity of the investment but required assurances that ESW would only pass costs to customers when all other options for funding had been explored (i.e. as a last resort).

- *“As this is a government requirement it needs to be accepted, but Essex and Suffolk Water should look to efficiency, rather than automatically load the cost onto customers” (Suffolk)*





**“Research should never
be just for knowledge – it
should be for progress”**

Summary of findings

Summary of findings

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Asset Health

Regarding additional investment in Asset Health, panellists in the online session were broadly in agreement that Ofwat's decision should be challenged (53% of NW panellists and 63% of ESW panellists voted in this way). However, within the survey, views differed between NW and ESW panellists. The majority of NW panellists (62%) felt that Ofwat's decision should be accepted, whereas 70% of ESW panellists suggested that the decision should be challenged.

When considering the votes of ESW panellists, there was also a consistent difference between the views of Essex panellists and those from Suffolk. The latter were more likely to feel that NWG should challenge Ofwat, with 75% of Suffolk panellists compared to 36% of Essex panellists voting this way in the online session. In the online survey, 100% of Suffolk panellists argued that Ofwat should be challenged, compared to 60% of Essex respondents.

Adaptation to climate change

When considering additional investment in Adaptation to climate change, votes during the online session revealed a lack of consensus amongst panellists. For NW panellists, votes were equally split regarding whether Ofwat should be challenged (33%), their decision accepted (33%) or panellists were unsure (33%). In contrast, there was slight majority (52%) of ESW panellists that felt that Ofwat should be challenged, 21% felt the decision should be accepted and 28% were unsure.

Within the survey, the views were again mixed. Just under half of panellists (46% of NW and 48% of ESW) felt that Ofwat's decision should be accepted. There was also a substantial minority of panellists (33% NW and 28% ESW) that felt unsure.

There were again differences of opinion between Essex and Suffolk panellists, with Suffolk panellists more likely to feel that Ofwat should be challenged, scoring 50%, compared to 40% of Essex panellists scoring this way.

In terms of asking Ofwat to change how they penalise water and wastewater companies for service failures, over 60% of NW and ESW panellists completing the online survey agreed that Ofwat should

reconsider how they penalise water and wastewater companies for service failures caused by extreme weather events.

Changes in environmental rules and regulations

Within the online session, discussions of this investment revealed no strong consensus, with confusion regarding the bill impact figures presented.

Regarding the changes presented to NW panellists in the survey, the option with the greatest acceptability was improving ten more storm overflows, which scored 8 out of 10 in terms of acceptability, followed by building of a long sea outfall which scored 6.64. The lowest scoring change was the installation of less river water quality monitors, scoring 4.31 out of 10 and indicating a low level of acceptance.

In the survey, ESW panellists showed a high level of acceptance when asked about the change to introduce additional water resource projects, with a mean score of 7.52 overall evidenced in response to this change.

The impact that changes in tax laws and other corrections have had on the proposed customer bill impact of NWG's Business Plan

In the online session, panellist opinion regarding whether NWG should make additional investments or reduce the overall customer bill impact again varied by region, NW panellists were less likely to feel that additional investments should be made (33%), in contrast 62% of ESW panellists felt this way.

Again, differences were observed between Essex and Suffolk panellists, with 77% of Suffolk panellists feeling that additional investments should be made and 50% of Essex panellists feeling this way.

Why NWG should challenge Ofwat's decision: common reasons

Across all investments discussed, when panellists felt that NWG should challenge Ofwat, some common reasons underpinning this stance were identified. Panellists often felt that the work was important, both to prevent service failures and for environmental benefit. They therefore agreed with NWG's position that additional investment is required. Alongside this, when the individual bill impacts were presented in the online survey, it was often felt that these were relatively low and, as such, the investments were considered more acceptable.

Why NWG should accept Ofwat's decision: common reasons

Across investments, when panellists felt that NWG should accept Ofwat's decision there was an emergent theme of trusting Ofwat as the regulator to explain their decision. This sense of trust had two facets:

1. A belief that as the regulator, Ofwat held customer interests at the heart of their decisions
2. An understanding that Ofwat was best placed to make informed decisions regarding the legitimacy of NWG's requests for additional investments

This theme was consistently present in both discussions in the online session and in responses submitted within the survey by Northumbrian and Essex panellists. However, it was not mentioned at all by panellists from Suffolk and was less consistently discussed by Future Customer panellists. This is consistent with the overall tendency of Suffolk panellists to vote that Ofwat's decisions should be challenged.

This pattern is summarised below.

	Panellist discussions of trust in Ofwat			
	Northumbrian Panel	Essex Panel	Suffolk Panel	Future Customer Panel
Online session	✓	✓	✗	✓
Online survey	✓	✓	✗	✗