

By email

Sir Jon Cunliffe

Independent Commission on the Water Sector Regulatory System

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Dear Sir Jon

Northumbrian Water's response to the Cunliffe review

1. Thank you for the opportunity to respond to your call for evidence as part of your review of regulation in the water sector. It is a critical time for the sector being both a inflection point for investment and a historical low in the level of public support and your review presents a vital opportunity to set us up for longer term success.
2. The call for evidence document demonstrated an excellent grasp of the key issues and highlighted all of the critical concerns that we would have raised. The discussion was balanced and fair.
3. We agree the sector is facing many challenges and resolving these will require long-term change. But the water sector continues to deliver high quality drinking water¹ and effective drainage with bills that are comparable to countries with similar environmental standards.² A rebalancing of the public debate is needed by credible and independent voices that are prepared to challenge the media narratives which are often in our experience materially inaccurate.

¹ Water companies consistently meet the stringent regulatory standards for drinking water, with 99.97% of samples complying with the regulatory standards in 2023. See '[Letter to Minister England Public Supplies](#)', DWI, July 2024.

² [How water bills in the UK compare to other countries](#), The i Paper, March 2024.

4. Your call for evidence casts the net wide, which is helpful in the early stages of a review. However, as you start to develop your recommendations it is important that the most important issues for the sector rise to the surface and become the focus of your recommendations.
5. Our response therefore contains three parts:
 - first this letter, which sets out where we think the focus of reform in the sector need to be;
 - second a series of very short key issues papers, including recommendations the Commission could take forward, and
 - thirdly a larger document responding to the set of questions as you included them in your call for evidence.

Key issues

6. We have focused our response around six key areas where we think the Cunliffe review should target its recommendations. This response includes a short paper on each of these areas exploring where we are, where we want to be and how we might get there. If we can address the issues we identify in these papers the water sector would be much better placed to deliver for customers, the environment and wider society for the very long-term.
7. The key issues we identify are:
 - **Asset Health:** The water sector needs common resilience standards and regulation needs to recognise and assess asset health to support efficient investment.
 - **Catchment Management:** We need a local approach to managing catchments that recognises the importance of place and scale, supported by a flexible regulation and financing.
 - **Financial Resilience and Investability:** Financial resilience can be restored to the sector under the existing framework which already contains numerous protections. It principally requires the restoration of investor confidence in the regulatory regime by ensuring a fair balance of risk and return.
 - **Regulator Accountability:** Increasing the accountability of the regulators through stronger governance and clearer division of responsibility would strengthen confidence.
 - **Long-term Planning:** The water sector needs more joined-up strategic planning frameworks to effectively manage long-term challenges.

- **Mitigating and Adapting to Climate Change:** A just transition to Net Zero in the water sector requires the water sector to be treated equally with the wider economy while funding the sector's adaptation to climate change.

Next steps

8. This review creates an excellent opportunity to improve the functioning of the water sector. We are keen to continue to offer our support to help develop solutions and recommendations through the final stages of the review and beyond.
9. In particular, we would welcome further discussion on the development of the industry's approach to asset health and asset risk management.

Yours sincerely



Heidi Mottram CBE
Chief Executive