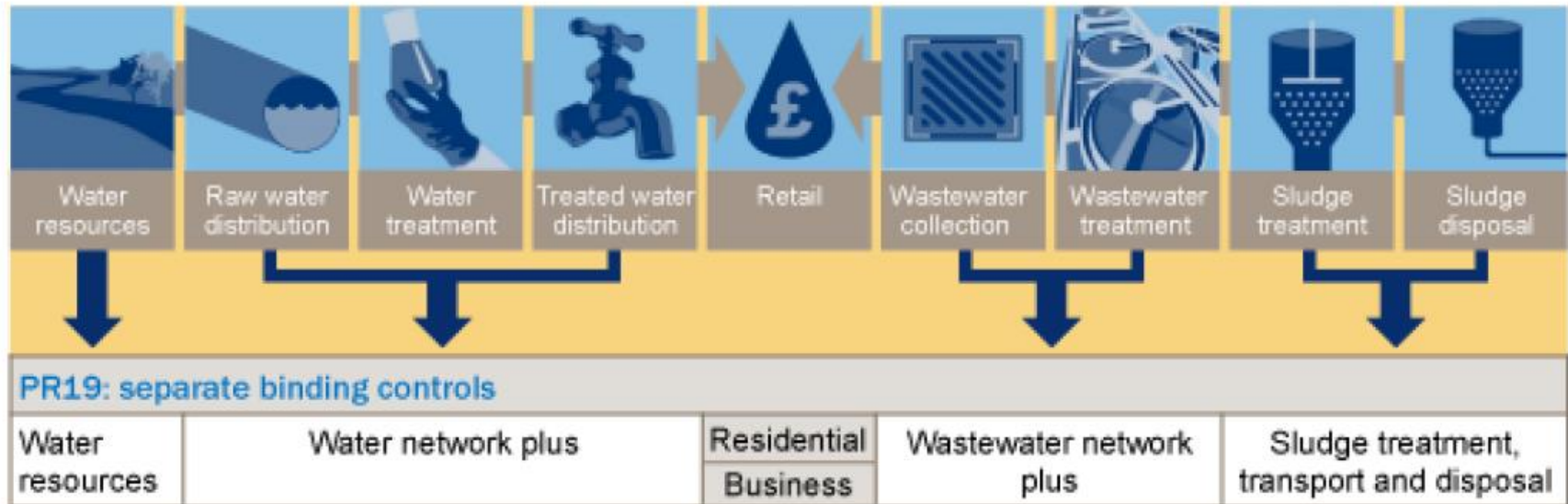


THE 2019 PRICE REVIEW PR19

THE PR19 CONTROLS

Northumbrian Water Slides for PR19

In PR19, Ofwat will set price controls for 6 separate parts of the water and sewerage business:



Note: PR19 sets the regulated price controls for 2020 to 2025

Northumbrian Water Slides for PR19

Control	Water Resources	Water Network +	Sewer Network +	Sewage Sludge	Household Retail	Non Household Retail
Annual Revenue £m	83	334	275	23	60	n/a
% of total business	11%	42%	36%	3%	8%	n/a
Market?	Yes	No	No	Yes	Possible (await Govt)	Yes (April 2017)

Northumbrian Water Slides for PR19

Combined North Household Bill	16/17 Bill £	% of bill
SERVICE		
Water resources	46	11%
Water treatment	57	15%
Water network	98	27%
Sewer network	87	23%
Sewage treatment	49	13%
Sewage sludge	11	3%
Household Retail	30	8%
North Household Customer Bill	378	100%

HOW PRICES ARE SET

Northumbrian Water Slides for PR19

PR14 Final Determination	%
Operating Costs	41%
Return on Investment	18%
Depreciation	24%
Tax	5%
Other adjustments	3%
Wholesale Costs	91%
Household Retail	8%
Non Household Retail	1%
Total Business Costs	100%

Ofwat assess Business Costs and use these to set the Regulatory Revenue Allowances and thus customer bills

PR19 CHANGES, ISSUES OUTSTANDING AND TIMETABLE

Northumbrian Water Slides for PR19

Key changes for PR19

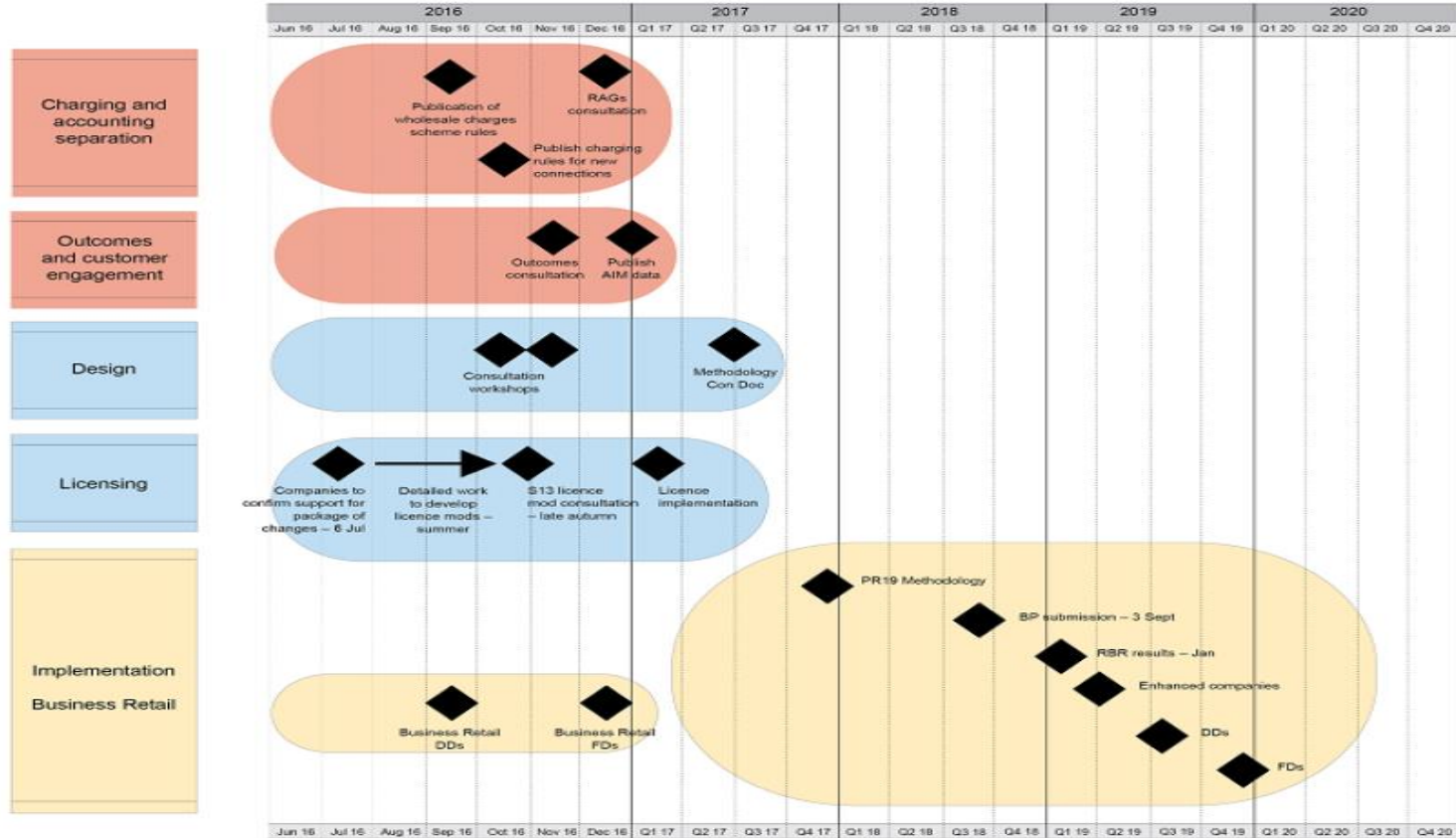
- Two new price controls: Water Resources and Bioresources (Sewage Sludge)
- Information published to allow trading in both areas
- Clarification of role of Customer Challenge Groups
- Widening of evidence sources for customer engagement
- Non Household Retail market opened April 2017
- Ofwat draft guidance published July 2017

Issues still unresolved

- Household Retail Competition - awaiting Government decision

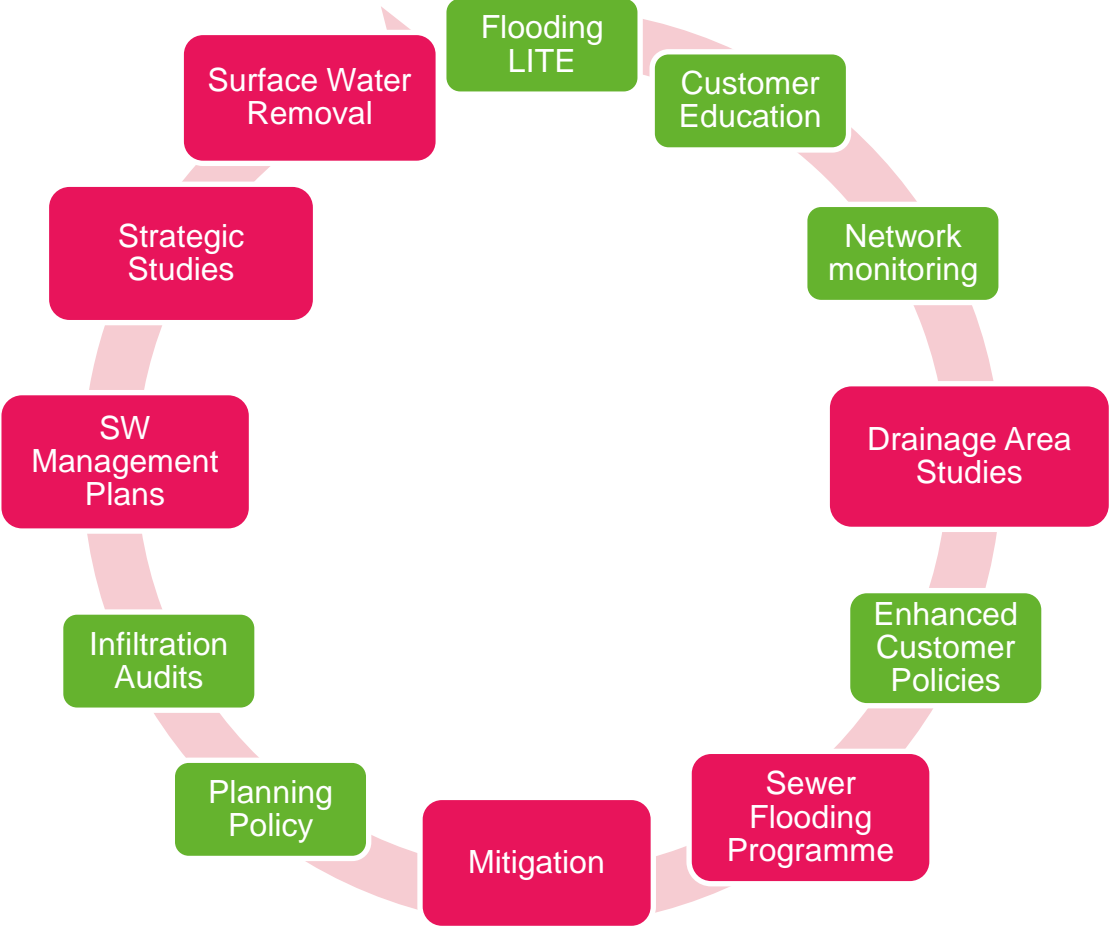
Northumbrian Water Slides for PR19

3rd September 2018: Business Plan Submission



**SO WHAT DOES THIS MEAN
FOR OUR SURFACE WATER
PARTNERSHIP?**

Northumbrian Water Slides for PR19



Northumbrian Water Slides for PR19



THANK YOU

The background features a gradient from dark blue on the left to light green on the right. A large, curved, teal-colored shape overlaps the bottom left. Several thin, parallel, curved lines in shades of green and teal sweep across the lower right portion of the image.