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Tony Owen
Thames Water

Date: 10 October 2019

By email only: anthony.owen@thameswater.co.uk

Dear Tony,

Thames Water draft WRMP19: further information in support of your statement of response

Thank you for submitting the statement of response (SoR) to Thames Water's consultation on its water resources management plan. We have been reviewing the revised draft plan, SoR and advice from the Environment Agency prior to submitting the documents to the Secretary of State for a decision on next steps. However, before we can refer your plan to the Secretary of State for a decision we would like you to provide some further information in support of your plan. The information requested is enclosed.

The additional information should be sent to: water.resources@defra.gov.uk; water-company-plan@environment-agency.gov.uk; wrm@ofwat.gsi.gov.uk

Any further information will form part of your statement of response prepared under Regulation 4 of the Water Resources Management Plan Regulations 2007 and as such it should be published on the water company's website and a copy sent to those that made representations on the draft Plan. This is to enable stakeholders to understand, fully, the company's proposals and to ensure that all information informing the Secretary of State's decisions is in the public domain.

I would be grateful if you could let me have this further information as quickly as possible, but in any case no later than 06 December 2019.

I am copying this letter to Ian Marchant, Paul Hickey at the Environment Agency and Colin Green at Ofwat.

Yours sincerely

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Annex A – further information required from Thames Water to support a decision on the Water Resources Management Plan

Ensure the plan clearly sets out how the decision on strategic options will be made in time for 2022/2023 and your next WRMP can withstand scrutiny, such as through a public inquiry

We support the adaptive plan approach and decision point, as uncertainty remains around your preferred strategic options.

You have committed to making the decision on your preferred strategic water resources option or options in 2022. It is essential that this decision is open for public scrutiny and consultation. This should be through your next WRMP, which is planned for September 2022 or if the decision point needs to be earlier, you should consider this a material change to your WRMP19, which would trigger a new WRMP.

Your plan faces many uncertainties over the next five years. If your deficit increases it is possible that the decision point might need to be brought forward. If this was the case we would consider this a material change and you would need to develop a revised WRMP so that the plan is publicly tested.

The Secretary of State may decide that your next plan should be subject to a public hearing or inquiry depending on the decisions made. If this is the case, you may not be publish your final plan until 2023 or 2024, which may delay your strategic schemes. This may have implications for your security of supply and that of neighbouring companies. Your plan should set out the implications of a public hearing or inquiry on the implementation of your preferred plan and strategic options, and how you will mitigate them.

You have set out the programme of work that you plan to undertake before the decision point in 2022/23, however you have not provided a timetable for this work. You should set out a timetable for this work to allow interested parties to know when the outputs of these projects will be available. The scopes should be shared with the regulators prior to commencement to allow them to comment.

Given the workload, uncertainty, potential for delay, and the associated risks, you should provide a six monthly published formal update to government and regulators on the progress of your work. This is to ensure that the work is on track and that government, regulators and stakeholders are informed.

You should:

- commit to a formal series of updates (every 6 months) to government and regulators to ensure that you remain on track to make a decision in 2022/23 or as required;
- set out how a public hearing or inquiry would affect your timetable and delivery of strategic options and how you would manage this; and
- set out a timetable for this work to allow interested parties to know when the outputs of these projects will be available. This should be aligned with work being undertaken by Affinity Water and neighbouring companies.

Demonstrate that you can manage the risk from leakage reduction shortfall

You are currently not meeting your planned leakage targets, with uncertainty surrounding your ability to meet your revised target for the beginning of the plan period. Your plan

states that you will make up any shortfall in the early years of your plan, in addition to your 15% leakage reduction over the first five years. Leakage is therefore a large and potentially challenging component in the first five years of your preferred plan.

You have committed to monitor your leakage performance and have planned for a surplus by 2024/25 to mitigate some of this risk. You have also stated that small resource options and extra demand management could be available, and have included an allowance for leakage under-performance in target headroom.

However, you have not set out precisely how you would manage this risk. You should provide a scenario showing a realistic worst case of leakage reduction over the first five years of the plan and the actions you would take to manage this to demonstrate that there would be no risk to supply. You should also set out how not achieving your planned leakage targets in the short term would affect the decision point, if at all.

You should:

- continue your enhanced leakage reporting to regulators or alternate reporting requirements as maybe requested;
- provide a scenario showing a realistic worst case of leakage reduction and the actions you would take to manage this to demonstrate that there would be no risk to supply; and
- set out if not achieving its planned leakage could affect the timing of the decision point.

Ensure alignment with Affinity Water's plan and set out how it will work with other companies in the South East

You have improved the alignment between your plan and Affinity Water's plan but we have noted some inconsistencies.

Your plan shows a discrepancy regarding the use of water from the South East Strategic Reservoir compared to Affinity Water's plan. Your plan shows a requirement from Affinity Water of 100 MI/d from 2037, whereas Affinity Water's plan shows a requirement of 50 MI/d in 2037/38 followed by an additional 50 MI/d in 2052/53. It is imperative that your plans are aligned. You have provided confirmation that this variation of the transfer has been modelled and the South East Strategic Resource Option would still be its preferred option, however, the results should be included in your final plan.

You have presented the full costs of the South East Strategic Resource Option but have not shown the apportioned costs per company. You should work with Affinity Water and neighbouring companies to clarify the share of the contribution to any jointly developed schemes, including the investment needs. A joint, aligned programme should be presented in your final plans.

There also inconsistencies in how you have considered the Oxford-Cambridge Arc compared to Affinity Water's plan. Your long-term household demand forecasts are also inconsistent. The need for and timing of strategic schemes is sensitive to these assumptions.

You should also provide clarity on how you will work with Affinity Water and neighbouring companies to explore other strategic options such as the Severn Thames Transfer and Beckton effluent reuse. You must continue to work closely with other companies on the justification for any strategic option and the monitoring in your adaptive plan.

You should:

- align your plan with Affinity Water and other companies that are planning to develop shared water resources. You should set out how you will work with other companies in Water Resources in the South East and other regional groups to inform the optimum strategic options;
- ensure planned transfers including volume and timing from the South East Strategic Reservoir are fully aligned in both companies' final plans and shows how this affects the preferred options.