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By email

29 November 2024

Dear Richard, Paul, and Martin,

Thames Water WRMP Annual Review 2024

Thank you for your Joint Regulator letter of 11 October 2024 with feedback on our 2024 Annual Review of our Water Resources Management Plan 2019 (AR24)

We are pleased you recognise the progress we've made over the past year. At 570.4 Ml/d, leakage is now at the lowest ever level on our network – albeit we do acknowledge that leakage performance continues to fall short of our AMP7 targets. We have also made progress on a range of other measures that matter most to our customers including water quality (CRI), supply interruptions, unplanned outages, internal sewer flooding and PCC. In contrast, we absolutely recognise that our performance on pollutions and serious pollutions (in particular) is unacceptable, and this remains a key area of focus for us.

In relation to leakage, we recognise that performance has not been equal across all Water Resource Zones ('WRZ') and that distribution input ('DI') in our Thames Valley WRZ's remains over forecast. This places more risk on the supply demand balance in these zones – particularly in Swindon and Oxfordshire ('SWOX') and Guildford. We understand this risk and are prioritising actions to reduce DI in these zones so that we start the WRMP24 period in as strong a supply-demand balance position as possible.

The Joint Regulator letter outlines five areas of concern (DI, total leakage, meter penetration, supply side scheme delivery and Gateway) where Thames Water is required to take action to improve performance. We have attached to this letter the updates that were requested by 29 November for distribution input and meter penetration. We have also provided clarification on our programme for delivering new supply schemes in AMP8. We will continue to provide updates on progress against existing action plans for all five issues in January and July 2025 at the 6-monthly joint regulator meetings and at the quarterly director meetings throughout 2024/25 (and beyond) where requested.

We want to assure you that these issues are well understood at Thames Water and are taken very seriously. These issues were raised as part of our WRMP24 'permission to publish' letter, and we have discussed and agreed our approach with both Ofwat and the Environment Agency ('EA') as part of securing approval to publish WRMP24.

Since we submitted AR24 we have:

- Discussed and agreed with the EA our plan to close the gap between current demand as reported in AR24, and the forecast start position for WRMP24. Our final WRMP includes our updated demand plan.
- Rebased our WRMP24 forecasts to AR24 outturn data which means our plans and forecasts are as up to date as possible and reflect our best view of the supply-demand balance in each zone.
- Updated our WRMP24 Monitoring Plan to show how we will mitigate the risk of under delivery of demand management measures in the short term.
- Increased our leakage ambition in the SWOX WRZ.
- Published our WRMP24, which includes 43 MI/d of new supply schemes to be delivered over the next 5 years. We are currently mobilising these schemes as a priority for delivery in AMP8.
- Agreed a timescale for producing a milestone delivery plan for Gateway WTW and committed to doing this by June 2025. We continue to review the availability of Gateway WTW, especially to align with the statutory inspection of Woodford Reservoir required by September 2025. The desalinated water is blended with Coppermills WTW water at this location to manage water quality.
- Tested Gateway desalination plant into supply at 46 MI/d. This provides increased confidence that performance is improving and that we are in a better position for achieving the stated deployable output in WRMP24.

As requested, we will publish the joint Regulator's letter on Thames Water's WRMP Annual Review 2024 on our website. We will also publish this letter on our website alongside it as a record of our response.

Yours sincerely,

Julie Morton

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Head of Water Resources

CC: Jon Haskins, Director of Regulatory Delivery, Compliance and Reporting
Nevil Muncaster, Strategic Planning and Engineering Director

Distribution Input (DI) Thames Water Response

Request

You should:

- provide us with an action plan that demonstrates how you plan to bring DI in line with your WRMP19 and WRMP24 DI forecast, with associated timescales for reducing water demand. This should consider the causes of the recent increasing DI trend, particularly in your SWOX and SWA zones;

Thames Water response

We updated our demand forecast between revised draft and final WRMP24 to rebase using AR24 outturn data and reflect our updated demand reduction programme. We are aiming to reduce DI in line with our final WRMP24 forecasts.

Table 1 shows that to meet the WRMP24 start position for the Dry Year Annual Average ('DYAA'), DI needs to be 39.6 MI/d (1.6%) lower than reported at AR24, with the largest DI reductions required in the SWOX (3.5%) and Guildford (4.4%) water resource zones.

WRZ	AR24 adjusted DI 2023/24	DI 2024/25 (Forecast)	Difference
London	1935.3	1913.0	22.3
SWOX	289.3	279.2	10.1
SWA	150.6	146.9	3.6
Guildford	49.7	47.5	2.2
Kennet Valley	105.7	104.7	1.0
Henley	14.0	13.6	0.3
Company	2544.6	2505.0	39.6

Table 1: Dry Year Annual Average (DYAA) Distribution Input (MI/d)

We have reviewed our leakage, metering and water efficiency programmes for 2024/25 to assure ourselves that the planned activities will deliver the reductions required in each WRZ to meet the WRMP24 forecast start position for demand (DI). This includes setting internal leakage reduction targets for the 2024/25 reporting year for each WRZ that reflect the need to re-focus our leakage reduction activity in the Thames Valley zones. **Table 2** demonstrates that our planned leakage activity delivers enough reduction to meet the final WRMP24 forecast start position.

WRZ	AR24 adjusted outturn leakage	AR25 target	Planned leakage reduction
London	398.6	375.9	22.7
SWOX	74.7	64.0	10.7
SWA	47.2	42.2	5.0
Guildford	19.0	16.0	3.0
Kennet Valley	25.8	24.4	1.4
Henley	5.0	4.5	0.5
Company	570.4	527	43.4

Table 2: Planned annual average leakage reductions by WRZ (MI/d)

We are continuing delivery of our leakage turnaround plan and will provide updates to the agreed schedules. In our Thames Valley WRZs the following improvements have been made so far in 2024/25:

Prevent:

- x 115 Pressure Managed Areas optimised across the Thames Valley region over a 3 month project period, as part of our end to end leakage efforts.

Locate:

- Increased Leakage Detection field teams (yielding technicians) by 26% in the period from July 2024 - October 2024, due to the ambition and scale in increase of detection capability in Thames Valley for this year.
- We now have 82 yielding FTE's working across the Thames Valley region day and night. This is by far the highest resource levels we have ever had in this region.

Mend:

- For the week ending 23/09/2022, we ended that week with 1,809 outstanding, known leaks in our backlog. This is inclusive of visible (199) and invisible (1,610) leaks.
- For the week ending 25/10/2024, we ended that week with 257 outstanding known leaks in our backlog. This is inclusive of visible (63) and invisible (194) leaks.
- We are continuing to drive down our leakage backlogs so that we can deliver the find and fix cycles quickly, in line with good leakage practice.

As mentioned above, our leakage performance in 2023/24 was the best it has ever been at 570.4 MI/d. Our 3-year rolling average leakage reduction position now stands at 12% being an improvement on the 10.7% achieved in 2022/23.

Although we continue to work to reduce leakage further, our current internal target for 2024/25 of 527 MI/d is at risk – primarily due to performance in North London. We continue to do all we can to reduce leakage further and our Service Commitment Plan published on our website today provides further information on leakage performance, our AMP8 delivery plan and key deliverables we aim to complete by March 2025.

Request

- *The effectiveness of measures already being taken and further actions and timeframes you will take to rapidly reduce customer demand*

Thames Water response

We have continued delivery of our industry leading and award-winning water efficiency programmes, exceeding the benefit forecast in WRMP19. **Table 3** shows that this successful delivery exceeds the under delivery in metering demand reduction caused by our below forecast volumes of new meter installations.

		2021/22	2022/23	2022/23	2023/24	2024/25
Water efficiency	Forecast	4.09	12.1	19.6	26.6	33.07
	Outturn	8.23	23.39	26.00	37.19	
	Variance	4.14	11.29	6.40	10.59	
Metering	Forecast	0.65	7.29	15.58	23.87	31.62
	Outturn	0.40	4.85	13.32	21.16	
	Variance	-0.25	-2.44	-2.26	-2.71	

Table 3: Cumulative water efficiency and metering delivered demand reduction (MI/d) WRMP19 forecast and actual as reporting in APR tables 6D and 6F and WRMP AR scheme delivery table

We understand the importance of our role in reducing customer demand. We have established industry leading water efficiency and metering programmes in place and have implemented or continued the following innovative water efficiency initiatives in 2024/25 to reduce customer demand. Achieving rapid reductions in customer demand is difficult, and not fully within our direct gift of control, especially without fully funded meter installation programmes. We believe that achieving the reductions forecast in WRMP24 will require delivery of government led interventions as well as industry delivery.

- In 2024/25 we have extended our 'Smart customer side leakage' programme into Swindon, utilising the smart meters covered by our fixed area network to further reduce demand. This project involves monitoring our smart meter continuous flow data and sending a letter to customers with a continuous flow, indicative of a leak, encouraging customers to check for and repair leak and offering assistance. During the first half of 2023/24 we estimate this has reduced demand in Swindon by around 0.35 Ml/d. Delivery of this programme will continue and expand as more smart meters are installed.
- In summer 2024 we ran a water efficiency customer campaign to encourage re-appraisal of water use and behaviour change. It included organic and paid ads, direct emails to customers and radio to drive traffic to and usage of the water and energy saving calculator on the Thames Water website.

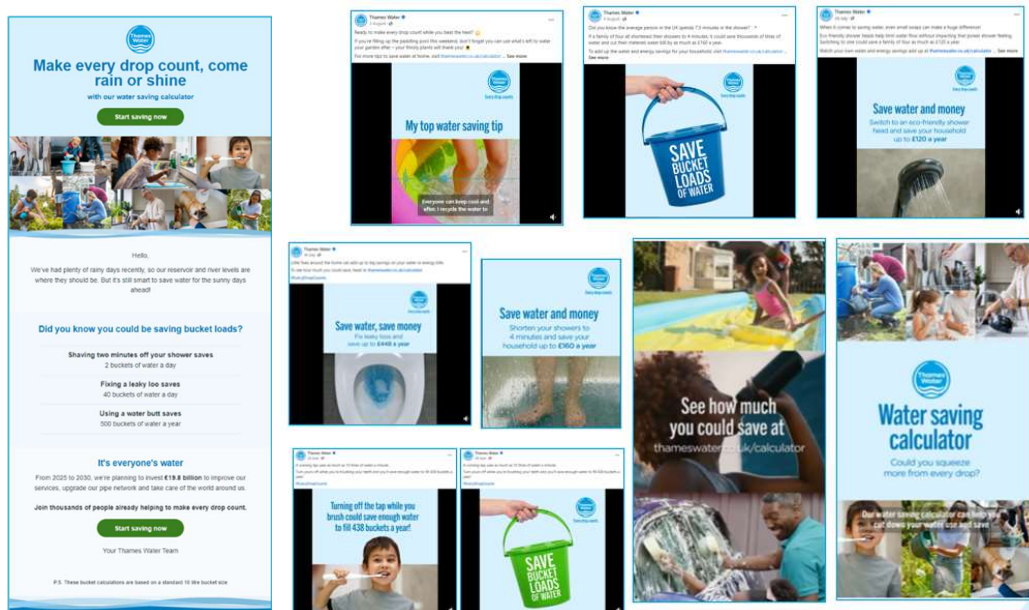


Figure 1: Images of email and social media content used in the Summer 2024 customer campaign

The campaign resulted in 57 million impressions, 207,000 instances of web traffic and 28,000 completions of the water and energy saving calculator, a significant spike in usage which is demonstrated in Figure 2.

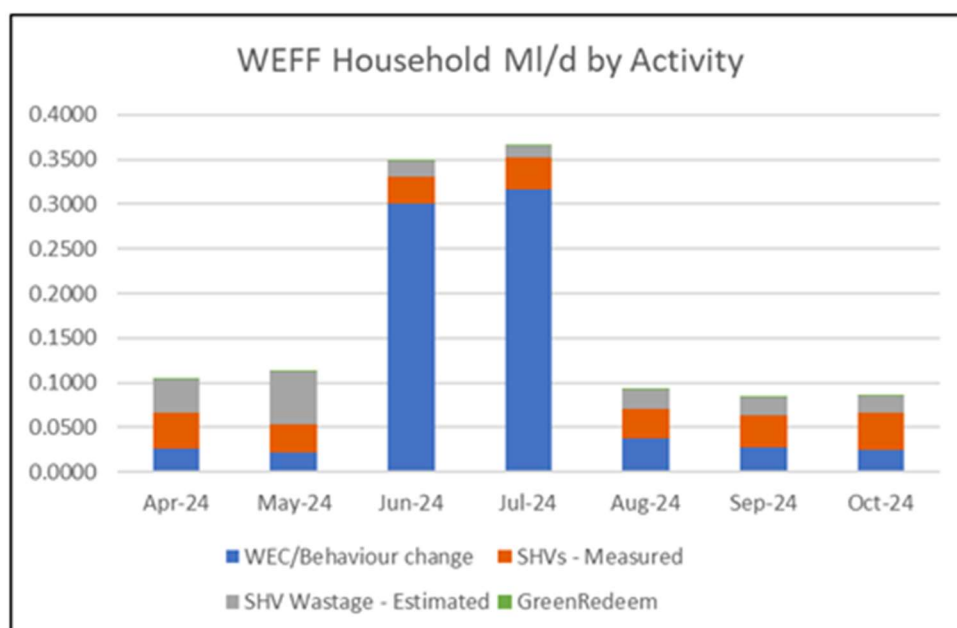


Figure 2: Water efficiency activities YTD 2024-25 showing peak in water and energy calculator use in summer 2024

- Alongside delivery of our industry leading Smarter Business Visits, we have continued delivery of our new non household continuous flow project which we started in AR24. This project utilises the data from our non-household smart meter roll out to monitor continuous flow on non-household properties. Where a meter is shown to have flow every hour, 24 hours a day for fourteen consecutive days, it is classified as having a continuous flow. When this happens, we notify the retailer, both by email monthly and by giving them access to a dashboard where they can see live data for their customer's meters with continuous flow. Having access to this live information means retailers can discuss this with their customers directly and they can control that conversation. Where retailers have agreed, we will also send a letter to their customers to inform them of the continuous flow and what it may be costing their business to try and encourage a self-fix. We then monitor the smart meter data and calculate the water savings when a continuous flow has stopped in a period of three months after the letter was sent. In the first half of 2024/25 we have managed to save 5 ml/d through this lettering activity alone.
- We been active an participant and evidence provider to the following policy group and regulatory initiatives that are working to progress the external demand reduction agenda.
 - Defra led steering groups on Building Regulations / Future Homes Standard, mandatory water labelling, WC fittings standards
 - Ofwat Environmental Incentive for developers
 - Retailer-Wholesaler Group Water Efficiency Sub-Group
 - Sector-wide initiative to raise awareness and reduce impacts of leaky-loos

Meter penetration

Request

You should:

- provide us with an explanation of why previous metering action plans have not delivered their stated outcomes, the expected benefits of the new metering action plan detailed in your annual review submission and how the new metering action plan is being and will be carried out to ensure that its stated outcomes are delivered in full
- deliver the new metering action plan detailed in your annual review submission according to the timelines you have set out in the plan.
- provide an explanation of how the large gap between Annual Review 2024 and WRMP24 baseline meter penetration will be resolved

Thames Water response

Metering installations in AMP7 have been impacted by the effects of COVID-19, the global shortage in microprocessors and budget pressures following a challenging PR19 final determination. These factors have led to fewer new meters being installed compared to WRMP19 forecasts. The impact of this under delivery on demand reduction is shown in **Table 3**.

Our PR19 final determination (FD) did not fully support delivery of our WRMP19 meter installations. Our PR19 FD did not provide the funding we required to deliver our WRMP19 programme. Due to this and the requirement to meet our bespoke metering performance commitments M01 and M02, which incentivise delivery in London (and for which we were unable to agree a corrigenda request with Ofwat to change), we prioritised our installations in London WRZ.

Our PR19 FD also included a requirement to install 25,000 new meters in Thames Valley WRZs. We have exceeded this commitment and taken steps so that these installations were prioritised in SWOX and Guildford WRZs which currently have a higher level of supply-demand risk.

Between revised draft WRMP24 and final WRMP24 our metering forecasts were also updated to include changes to the previously planned Green Economic Recovery programme and changes to new household meter installation (PMP) survey to fit ratios. Delivery of the meter installations detailed in WRMP24 for AMP8 are dependent on the outcome of PR24.

Table 4 shows the increase in meter penetration required to meet our WRMP24 AMP8 baseline meter penetration.

WRZ	AR24 meter penetration (inc. voids)	2023/24 WRMP24 meter penetration (inc. voids) ¹	2024/25 WRMP24 meter penetration (inc. voids)	2024/25 WRMP19 meter penetration (inc. voids)
London	53.86%	55.2%	58.8%	59.5%
SWOX	69.65%	66.3%	66.9%	79.5%
SWA	53.11%	55.1%	55.9%	64.0%
Guildford	62.34%	55.7%	56.5%	72.6%
Kennet Valley	57.62%	58.2%	58.8%	63.1%
Henley	67.54%	68.0%	68.2%	71.6%
Company	55.96%	56.6%	59.6%	62.6%

¹ The difference between AR24 and WRMP24 2023/24 meter penetration is due to variance in the property data used

Table 4: Meter penetration (inc. voids) in AR24, WRMP24 2023/24 and forecast WRMP24 2024/25

Achieving the 2024/25 meter penetration forecast in our final WRMP24 is dependent on delivery of our revised year 5 installations.

Our delivery in London is on track. Our delivery in Thames Valley WRZs has been delayed due to a delay in procurement of new communication technology for these more rural zones. We have amended our delivery plan to maximise delivery in area's covered by the existing fixed area network (mast coverage) which include London, Swindon, Reading and Guildford.

We made a decision to wait for the new communication technology (termed the complementary solution) to be operational before installing meters in Thames Valley WRZs so that they would be AMI active.

Supply side scheme delivery

Request

Provide us with a detailed action plan outlining your programme of work and the timeframes in which the revised delivery dates for these schemes will be met. This plan should also include a clear presentation of the risks associated with deferring or cancelling the schemes, including any potential impacts on resilience and the measures you will take to mitigate these risks.

The action plan should include details of any schemes or other measures that have been or will be introduced or brought forward in order to resolve the SBD shortfall as a result of deferrals or cancellations, such as the temporary licence trading scheme that was introduced in PR24. This should demonstrate how your decision-making for WRMP24 long-term planning has incorporated these adjustments.

Thames Water Response

Our WRMP24 includes an action plan for the supply schemes to be developed in AMP8. This includes the following schemes:

- Horton Kirby Aquifer Storage and Recharge, to be delivered by 2030 (deferred from AMP7)
- Ladymead Groundwater Scheme, to be delivered by 2030 (deferred from AMP7)
- RWE Licence Trade, to be extended throughout AMP8.
- Addington Groundwater Scheme, to be delivered by 2028.

There is no plan to deliver the New River Head source, as there are issues of scheme feasibility. Inclusion of the RWE licence trade in AMP8 bolsters the surplus in our London WRZ in the period up to 2030, mitigating for the deferred delivery of schemes.

Alongside these schemes, we will set out to deliver an additional 18 MI/d of WAFU benefit, in line with the allocation made in the Draft Determination, with provisionally proposed schemes being:

- Increasing the Deployable Output at our Datchet source
- Increasing the Deployable Output at our Woods Farm source
- Disaggregating peak licences at Ladymead and Dapdune
- Delivering the Southfleet and Greenhithe groundwater scheme.

As stated in our final WRMP24, we will undertake further studies into these sources and potential alternatives, and will report in our Annual Review if we decide to substitute delivery of these schemes for alternatives.

A Price Control Deliverable was proposed in the Draft Determination, which will hold us to account for the delivery of supply-side benefit.

As requested, we will provide an update on delivery of our supply side schemes at the January joint regulator meeting.