



Department  
for Environment  
Food & Rural Affairs

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**Sent by e-mail only.**

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Date: 11 October 2024

Dear Julie,

### **Thames Water WRMP Annual Review 2024**

Thank you for your submission for Thames Water's water resources management plan (WRMP) Annual Review 2024. The delivery of WRMPs is important in providing resilient water services for customers and protecting and enhancing the water environment, and so the efforts of companies in providing progression updates against this delivery is welcomed.

We are writing this letter to you jointly from Defra, the Environment Agency and Ofwat (the Regulators). The Environment Agency and Ofwat have assessed Thames Water's WRMP Annual Review 2024 and have highlighted serious concerns with Thames Water's security of supply and risk to the environment. You should take immediate action to address the issues that are set out in this letter.

This year, the annual review is particularly important because of its position ahead of a published WRMP24 and the start of the next five-year investment period in April 2025. The Regulators have applied a high level of scrutiny to the process, and we expect companies to improve performance on the issues raised.

We expect companies to achieve their WRMP19 commitments as funded at PR19 on demand reduction and supply-side delivery. Through the PR24 draft determinations, Ofwat has proposed taking action where customers have not received the funded benefit, and continued non-delivery on PR19 schemes could result in interventions at final determinations and throughout PR24. Good performance and delivery against WRMP19, and the forecasts it sets out, gives confidence in the WRMP24 starting position, effectiveness of spend and deliverability. We will hold companies and their Boards to account where performance does not meet expectations. We will also continue to engage with companies and collaborate as regulators to gain further insights into poor performance and take targeted action where necessary.

We are pleased to see some improvements since last year, particularly in the London Water Resource Zone (WRZ) on leakage reductions. However, our main concern is that Thames Water is not showing consistency in performance across all metrics throughout the whole

company area. Our key concerns are set out in further detail in the table in Annex 1. In summary, Thames Water is:

- behind its forecast on reducing leakage across the whole company area and we are concerned that Thames Water is focusing on leakage reduction in London Water Resource Zone (WRZ) at the detriment of other resource zones. The company's reported leakage across its area is 2.6% higher than forecast. Although this has improved from last year, leakage within the Thames Valley WRZs in particular remains a concern. The company is not on track to meet the WRMP24 starting position for several resource zones at the start of the planning period. We expect immediate action to reduce leakage, especially in the Thames Valley WRZs continuing to install more water meters compared to 2022-23 but remains 4% behind its forecast. Three out of six water resource zones are 7% or greater behind forecast and performance does not seem to be improving in the Thames Valley WRZs, which have been below forecast for the whole AMP. The company is not on track to meet its WRMP24 starting position for meter penetration and a significant increase (up to 30% in some zones) is required by April 2025 to achieve the WRMP24 starting point. The company needs to take action to increase meter installations and clearly outline how it will improve performance to achieve its forecast in WRMP24
- reporting Distribution Input (DI) above its forecast for the second consecutive year. All water resource zones except London were over forecast. The gap between the WRMP24 DI starting point and outturn DI 2023/24 remains high in the Thames Valley WRZs. This is a risk to the environment and security of supply. If action is taken and there is increased performance, especially on leakage, DI should reduce.
- reporting that supply-side scheme delivery is off track, and the company have deferred several schemes beyond AMP7. These schemes would have had a combined benefit of 20.6 Ml/d to the supply-demand balance (SDB).
- continuing to write-down the Deployable Output (DO) of the Gateway Desalination Plant to 25Ml/d. This has resulted in a significant decrease in the London Water Resources Zone DO compared to that reported in WRMP19.

We are concerned that the lack of delivery consistency across the company area has led to one WRZ performing well against forecasts at the expense of other WRZs. It is important to address this lack of consistency to prevent customers experiencing different levels of risk because of variable resilience between water resource zones, caused by the non-delivery of both demand reduction activities (including leakage and metering), and supply side schemes. The company needs to address the balance between water resources zone performance.

We are concerned that current performance is making achieving the planned starting point for WRMP24 more difficult. Thames Water need to improve performance on reducing leakage and continue to deliver an enhanced smart meter roll out.

We are concerned that this is the second consecutive year that Thames Water has received a joint Regulators letter. Therefore, we will be continuing the series of meetings between Thames Water and Senior Management from Defra, the Environment Agency and Ofwat. These will take place every 6 months, in January and July, and you will be expected to report progress with the delivery of Thames Water's actions. We are aware of other ongoing

meetings with regulators (such as regular liaison meetings), where we will seek progress on these performance issues as well. Where appropriate, we may seek to align these meetings.

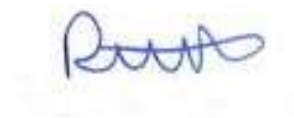
The actions which the Regulators require you to take to address these concerns are set out in the table at Annex 1. We also require you to provide us with evidence in writing by the deadlines in the table at Annex 1 which shows us that Thames Water have taken the actions specified.

This year, this joint Regulators letter is to be published on the Ofwat website to drive transparency in the delivery of the water resources management plans. We request that Thames Water publishes its WRMP Annual Review data and narrative and this letter on your website to support this. We will ask this of all companies.

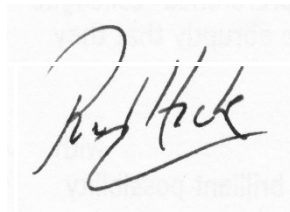
The Environment Agency's summary of the data assessed by regulators to determine the outcome of the 2023-24 WRMP Annual Review has also been published [here](#).

Thames Water's WRMP is an essential plan for securing customers' water supplies, in a sustainable way for the environment. It is therefore vital for Thames Water to maintain and deliver their plan to the satisfaction of the regulators and customers.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'R. Thompson'.

**Richard Thompson**  
Deputy Director,  
Water Resources,  
Environment Agency

A handwritten signature in black ink, appearing to read 'Paul Hickey'.

**Paul Hickey**  
Senior Director,  
RAPID & Environmental  
Planning,  
Ofwat

A handwritten signature in black ink, appearing to read 'M. Woolhead'.

**Martin Woolhead**  
Deputy Director,  
Water Management,  
Defra

## Annex 1:

The following table outlines the issues we have identified, the impact and the actions we require you to take.

Issue	Impact	Action and deadline
<p><b>Distribution Input (DI)</b></p> <p>Your reported Distribution Input (DI) is above your WRMP19 forecast</p> <ul style="list-style-type: none"><li>• DI in all your WRZs, except London, is higher than forecast, despite this year being a normal/wet year</li><li>• You are 11% (Guildford), 7% (Henley), 8% (SWA) and 11% (SWOX) above your WRMP19 forecast at a zonal level.</li><li>• This is the second consecutive year that DI is reported above your forecast</li><li>• This is posing a risk to the environment and to security of supply</li></ul> <p>You are not on track to meet your WRMP24 baseline forecast for DI in five of your six WRZs at the start of the planning period, with the highest shortfall in your Slough, Wycombe and Aylesbury (SWA) and SWOX zones.</p>	<p>DI positioned above the forecast level represents a risk to the environment and security of supply for your customers.</p> <p>Current performance makes achieving the planned WRMP24 starting point, and subsequent glidepath, more difficult.</p>	<p>You should:</p> <ul style="list-style-type: none"><li>• 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; the effectiveness of measures already being taken and further actions and timeframes you will take to rapidly reduce customer demand</li><li>• deliver the action plan according to the timelines you have set out in the plan [and complete delivery of the action plan by end of April 2025]</li><li>• provide an update on progress with delivery of the action plan and your performance against WRMP19 Per Capita Consumption (PCC) and DI forecasts and WRMP24 PCC and DI baseline to Defra/EA/Ofwat in January and July 2025 at 6 monthly joint regulator meetings and at the Quarterly Director Meetings throughout 2024-25.</li></ul> <p><b>Deadline: 29<sup>th</sup> November 2024 for provision of the action plan, updates in January and July</b></p>

Issue	Impact	Action and deadline
		<b>2025, complete delivery of the action plan by timescales set out in the plan.</b>
<p><b>Total leakage</b></p> <p>Your reported total leakage of 572.86Ml/d is 2.6% above your WRMP19 forecast of 558.18Ml/d.</p> <ul style="list-style-type: none"> <li>leakage in your SWA WRZ has been above forecast for four of the last five years</li> <li>your Guildford, Henley and SWOX WRZs have been above forecast for the last five years</li> <li>leakage in the Thames Valley region remains above forecast, particularly in your Guildford (64%), Henley (41%) and SWOX (37%) WRZs</li> <li>you have stated that this is the primary driver for your DI exceeding forecast</li> <li>you are not on track to meet your WRMP24 starting position for several of your Thames Valley WRZs at the start of the planning period in April 2025</li> <li>however, you have recognised the issues with leakage and have published a leakage turnaround plan</li> </ul>	<p>Failure to meet leakage reductions targets may increase the volume of water taken from the environment and could cause deterioration in the status of water bodies.</p> <p>Falling behind on demand management results in an increased risk in a dry year in the short term and deviation from long term demand reduction glidepaths and ambition.</p> <p>Your current performance on leakage and the subsequent impact on your SDB and DI represents a risk to your customers' security of supply.</p> <p>Current performance makes achieving the planned WRMP24 starting point, and subsequent glidepath, more difficult.</p> <p>Achieving your planned leakage reductions is reputationally important, as you are asking customers to reduce their water use.</p>	<p>You should:</p> <ul style="list-style-type: none"> <li>provide an update on progress with delivery of the leakage turnaround plan and your performance against WRMP19 total leakage forecast and WRMP24 total leakage starting position to Defra/EA/Ofwat in January and July 2025 at the 6 monthly joint regulator meetings and at the Quarterly Director Meetings throughout 2024-25.</li> <li>deliver the leakage turnaround plan according to the timescales you have set out in the plan</li> <li>updates should align with those reported internally at Thames Water as referred to on p19 of your annual review as discussed at the July 2024 joint regulators meeting.</li> </ul> <p><b>Deadline: updates in January and July 2025, complete delivery of the action plan by timescales set out in the plan.</b></p>

Issue	Impact	Action and deadline
<p>Your WRMP24 baseline demand forecast assumes achievement of your WRMP19 commitments for demand reduction and leakage. We lack confidence that assumed reductions will be delivered due to your poor performance in AMP7.</p>		
<p><b>Meter penetration</b></p> <p>Your reported total household metering penetration of 55.96% is lower than your WRMP19 forecast of 60.00%.</p> <ul style="list-style-type: none"> <li>• this is the fifth consecutive year that you have not met your forecast at company-level, and you expect to remain 57,000 meters behind target at Annual Review 2024-25</li> <li>• meter penetration for all WRZs remains behind forecast. London, Kennet Valley and Henley WRZs are within 5% of forecast. SWA, SWOX and Guildford water resource zones remain considerably behind forecast</li> <li>• your reported total household metering penetration has only increased by a maximum of 3% per year for the past five years</li> <li>• you are not on track to meet your WRMP24 baseline metering penetration forecast of 64.5% at the start of the</li> </ul>	<p>As meters have a demonstrable impact on household water use, failure to meet meter installation forecasts will likely slow the delivery of Per Capita Consumption (PCC) reductions and overall demand reductions.</p> <p>Falling behind on demand management results in an increased risk in a dry year in the short term and deviation from long term demand reduction glidepaths and ambition.</p> <p>Your current performance on metering and the subsequent impact on your SDB and DI represents a risk to your customers' security of supply.</p>	<p>You should:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• deliver the new metering action plan detailed in your annual review submission according to the timelines you have set out in the plan</li> <li>• provide an update on progress with delivery of the new metering action plan and your performance against WRMP19 metering penetration forecast and WRMP24 metering penetration starting position to Defra/EA/Ofwat in January and July 2025 at the 6 monthly joint regulator meetings and at the Quarterly Director Meetings throughout 2024-25.</li> <li>• provide an explanation of how the large gap between Annual Review 2024 and WRMP24 baseline meter penetration will be resolved</li> </ul>

Issue	Impact	Action and deadline
<p>planning period. Some water resource zones require an uplift in meter penetration of as high as 30% to meet your WRMP24 baseline</p> <p>Your WRMP24 baseline demand forecast assumes achievement of your WRMP19 commitments for demand reduction and leakage. We lack confidence that assumed reductions will be delivered due to your poor performance in AMP7.</p>		<p><b>Deadline: 29<sup>th</sup> November 2024 for provision of the new action plan. Provide an update on progress with delivery of the action plan to Defra/EA/Ofwat in January and July 2025 at the 6 monthly joint regulator meetings and at the Quarterly Director Meetings throughout 2024-25. Complete delivery of the action plan by timescales set out in the plan.</b></p>
<p><b>Supply side scheme delivery</b></p> <p>Supply side scheme delivery is off track, and you have deferred the following schemes beyond AMP7:</p> <ul style="list-style-type: none"> <li>• Ladymead Water Treatment Works (delivery date 2030)</li> <li>• Shalford to Netley internal transfer (amended delivery date 2026)</li> <li>• Horton Kirby (amended delivery date 2026)</li> </ul> <p>Additionally, the New River Head and Southfleet &amp; Greenhithe schemes have been cancelled, representing a combined loss of 4.1 MI/d. Altogether, these deferred and cancelled schemes would have provided a</p>	<p>A delay to customer funded supply-side schemes has a negative impact on your available supplies. This represents a risk to your customers' security of supply, and to the environment.</p> <p>There are concerns that the non-delivery of the supply side schemes has resulted in interventions through PR24.</p>	<p>You should:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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-</li> </ul>

Issue	Impact	Action and deadline
total benefit of 20.6 MI/d to the supply-demand balance (SDB).		<p>term planning has incorporated these adjustments.</p> <p><b>Deadline: Deliver the action plan according to the timelines you have set out in the plan. Provide an update on progress with delivery of the action plan to Defra/EA/Ofwat in January and July 2025 at the 6 monthly joint regulator meetings and at the Quarterly Director Meetings throughout 2024-25.</b></p>
<p><b>Gateway desalination plant</b></p> <p>You continue to write-down the Deployable Output (DO) of the Gateway Desalination Plant to 25MI/d. This has resulted in a significant decrease in the London Water Resources Zone DO compared to that reported in WRMP19. Thames Water plan to test the plant up to 50MI/d out of supply.</p>	<p>The write-down of the Gateway desalination plant's DO has a negative impact on your available supplies.</p>	<p>You should:</p> <ul style="list-style-type: none"> <li>• provide supporting commentary explaining how you will fully test the system, we would like to see testing into supply as well, as part of the re-commissioning process, to ensure that 50MI/d is deliverable into supply when required.</li> <li>• feedback the test outcomes through the 6 monthly regulator meetings, including next actions to take should the tests show any issues with the full 50MI/d being delivered into supply.</li> </ul> <p><b>Deadline: provide an update on progress with the DO of the Gateway desalination plant to Defra/EA/Ofwat in January and July 2025 at the 6 monthly joint regulator meetings and at the Quarterly Director Meetings throughout 2024-25.</b></p>