

## **DELIVERING THE NATIONAL ENVIRONMENT PROGRAMME 2000-05 - Prospects for completion in 2005**

The improvements required for both continuous and intermittent discharges during the AMP3 period (2000-2005) were signed off by Ministers between April and June 2000. The list of improvements was published in the annex to the Environment Agency's 'Achieving the Quality (June 2000)' and is known as the AMP3 National Environment Programme (NEP). The majority of projects are due for completion by 31 March 2005, with a few schemes in five companies carrying through to 31 December 2005.

### **Progress with delivering the AMP3 NEP**

The EA reports annually to Ofwat on company environmental performance and progress with funded improvements through the MD109 'June return' process. The companies' June returns provide financial information and the companies' own views of progress. Ofwat has monitored the companies' progress in completing schemes in the NEP and detailed information is available from the Ofwat library on CDROM (price £73.44 including VAT).

The progress made by the industry in delivering the continuous and intermittent discharge programmes, on 31 March 2003 is shown in summary in Annex 1. Progress in both the programmes is in line with expectations. However, there is a considerable amount of the programmes to be delivered in the final two years of AMP3:

- 40% of the continuous programme (12.3 million population equivalent (p.e.)) has been delivered leaving 60% of the programme (18.5 million p.e.) to be delivered in the last two years
- 48% of the intermittent programme (2066 Unsatisfactory Intermittent Discharges (UIDs)) has been delivered leaving over half of the programme (2276 UIDs) to be delivered in the last two years

### **Changes to the AMP3 NEP (since April 2000)**

With such a large programme (almost 1700 projects at sewage treatment works, and over 4300 UIDs), it is inevitable that there would be changes during the five years. These typically arise from new information, or delays in one project, being offset by accelerating others. In order to monitor company progress, we needed to have a formal process of agreeing changes to the NEP. Stuart Hoggan's (DETR) letter to Martin Griffiths (EA) of 13 March 2001, known as the 'Change Protocol', provided the methodology for changes within companies' programmes of outputs to be made. In the majority of cases the companies and the EA regions have used this protocol to make 'trivial' changes (ie changes that do not have an overall effect on the financial package or the delivery of environmental benefits). In two instances (NES and YKY) 'non-trivial' changes have been agreed with DEFRA which will require additional contributions from customers to be recovered at PR04 via the logging-up process. In either case we are monitoring companies against their NEPs after any impact of the Change Protocol.

## **Financial Performance Report: 2002-03**

In the Director's foreword to the 'Financial Performance Report: 2002-03' he said:

*'... there is a disproportionately large element of the programme to complete in the next two years, particularly for the environmental improvement programme. We and the Environment Agency (EA) will be seeking assurances from each water and sewerage company at a series of meetings in the autumn, that the National Environment Programme will be delivered. This will enable us to identify any potential problems for the completion of the balance of environmental projects.'*

This has prompted us to issue an EA/Ofwat report setting out our understanding of the industry's ability to deliver the National Environment Programme by 31 March 2005.

### **EA/Ofwat environmental performance meetings**

As part of our annual monitoring role we have, over the first three years of AMP3, held joint meetings between Ofwat, the Environment Agency and the companies to discuss environmental performance and progress against completing their NEPs.

In 2001 we met five companies which we felt may have been under-performing at the time (WSH, SVT, SWT, SRN and TMS). In both 2002 and 2003 we met all ten WaSCs to discuss environmental performance in general.

On the agenda for the 2003 meetings we included the following item for all companies:

*'We would like you to provide us with reassurance that you are in a position to complete the remainder of your environmental improvement programme in line with the expected dates.'*

Within the meetings themselves most companies provided the appropriate reassurance to us that they were in a position, unless circumstances arose outside their control, to complete their environmental programmes. We asked some companies to submit a report confirming such reassurance. We have since received reports from SVT, NWT and YKY.

### **Completion of National Environment Programme by 31 March 2005**

#### **EA/Ofwat overview**

Our overall assessment (apart from the UU intermittent discharge issue and Brighton and Margate) is that the remainder of the AMP3 environmental programme can be delivered by all ten companies in line with expected dates. Our impression from the environmental performance meetings was that the 'will' is there to complete the programme. Companies (and their Boards) are fully aware of the credence gained by delivering their parts of the programme and the publicity that would ensue if they were reported as falling short of expectations. The EA will also take steps to make

delivery of the programmes a legal obligation through the issuing of appropriate discharge consents.

Obviously successful delivery could be jeopardised by circumstances outside the companies control, for example a 'foot and mouth' type epidemic and the ensuing restrictions imposed on gaining entry to land.

We should note that this last point is compounded by our belief that companies have used up all the contingency available in the programme. There is also the issue that while the Change Protocol has been used to good effect to date, there is now little or no room left to advance and delay further schemes in order to smooth out any delivery difficulties that are encountered.

## **Company assurances**

### Anglian

At present the company is ahead of schedule against both its continuous and intermittent programmes. It has not provided written reassurance that it is in a robust position to deliver the whole programme by 31 March 2005. However, in the notes of our meeting it was stated that:

*ANH delivered its programme last year and have continued to deliver it (in fact slightly ahead) this year. Company takes great pride in delivery of AMP3 and has no concerns that it will not be delivered. Framework partnerships are in place and resources have been captured.*

### Dŵr Cymru -Welsh Water

At present the company is slightly behind schedule against its continuous programme and ahead against the intermittent programme. At the environmental performance meeting they said:

*WSH does expect to meet the regulatory deadlines at the sites, despite some slippage. All remaining work to be done on the continuous programme is either ready to go or being done at the present time. The company is confident of delivery. 71 schemes to be completed in Year 4, an acceleration on expectation. Partners in the process have been brought to the table and their incentives are to deliver their own and the overall programme.*

### Northumbrian

At present the company is on schedule against its continuous programme, but behind against the intermittent programme. At the environmental performance meeting it said:

*'NES is very confident that both the programmes will be delivered over the remaining 2 years. This is based on having detailed plans of the needs and expectation of the remaining schemes.'*

### Severn Trent

At present the company is behind schedule against both its continuous and intermittent programmes. It has provided written reassurance that it is in a robust

position to deliver the whole programme by 31 March 2005 in line with our meeting request. It has said:

*'Through effective resource planning, the company has delivered outputs in advance of obligations in a number of areas. This has positioned us well for the challenge of delivering the AMP3 quality outputs, which are weighted towards the back end of the programme.'*

#### South West

At present the company is behind schedule against both its continuous and intermittent programmes. At the environmental performance meeting it provided verbal assurance that it is in a position to deliver the whole programme. It said:

*'Generally felt that SWT will be back on-track against outputs by the end of 2003/04. All remaining projects have been costed and risk identified. Teams are fully committed and aware of the deadlines. There are particular issues on the West and North Cornwall coast sites, where locals want better solutions, in line with those implemented elsewhere e.g. UV disinfection.'*

Despite its reassurances, we should keep a particular eye on progress made by South West Water as it is behind schedule at present and management of their programme, based on the first three years, needs to be improved.

#### Southern

At present the company is slightly behind schedule against its continuous programme and intermittent programme. At the environmental performance meeting it said:

*'All remaining improvements are now well defined and company is confident that delivery will be on time. Contracting partners are in place for rest of AMP3 and they are challenged on progress and expectation on a monthly basis.'*

#### Thames

At present the company is on schedule with both its continuous and intermittent programmes. It did not provide written reassurance that it is in a robust position to deliver the whole programme by 31 March 2005. However, in the notes of our meeting it was stated that:

*'TMS is very confident that schemes will be completed on time. Would inform EA/Ofwat if there were any problems. Track record of delivery is very good and there are no problems to report. TMS has delivered all planned outputs or agreed modifications since privatisation.'*

#### United Utilities

At present the company is ahead of schedule against its continuous programme but behind against the intermittent programme. It has provided written reassurance that it is in a robust position to deliver the parts of its programme which are not part of on-going discussions (EA, DEFRA, Ofwat are discussing the remainder of the UID programme) by 31 March 2005 in line with our meeting request. In summary it said:

*'All AMP3 preliminary design activity for continuous discharges will be complete by 31 March 2004. The continuous discharge programmes are ahead of programme with about 95% forecast to be in construction, commissioning or complete by 31 March 2004. All UIDs, where agreement has been reached with the EA and DEFRA of the outcome will have design complete, and 75% will be in construction, commissioning or complete by 31 March 2004.'*

These assurances were conditional upon the resolution of an issue relating to a large proportion of its remaining intermittent programme. This has been removed from the normal AMP3 funding route by Ofwat in an Interim Determination dated 11 December 2003. The effect of this course of action is to allow further discussion between the EA and the company on the most cost effective way to achieve the appropriate environmental improvements. Ofwat has made it clear that it expects the Company to deliver the appropriate environmental improvements and the EA will be requiring compliance through the issuing of Discharge Consents. Funding for the resultant schemes will now be dealt with under Ofwat's 'logging-up' procedure.

#### Wessex

At present the company is ahead of schedule against both its continuous and intermittent programmes. It provided verbal reassurance that it is in a robust position to deliver the whole programme by 31 March 2005.

#### Yorkshire

At present the company is ahead of schedule against its continuous programme but behind against the intermittent programme. It has provided written reassurance that it is in a robust position to deliver the whole programme by 31 March 2005 in line with our meeting request.

**EA/OFWAT  
January 2004**

## ANNEX 1 – PRESENT PROGRAMMES OF OUTPUTS

