



Secretary of State for Environment, Food & Rural Affairs
Water Resources Management Plan Consultation
Area 3D Nobel House
17 Smith Square
London
SW1P 3JR

13 August 2013

Dear Secretary of State

Portsmouth Water – Draft Water Resources Management Plan

Portsmouth Water published its draft Water Resources Management Plan (dWRMP) on 8 May 2013 and this letter summarises our views of the draft plan. These views are based on a high-level review of the processes described in the plan against the requirements of the Water Resources Planning Guideline. They are without prejudice to any subsequent decisions that we may make in connection with the business plan that the company is scheduled to provide to us later this year as part of the price control review process.

In summary, Portsmouth Water needs to consider further the following areas in finalising its dWRMP:

- providing more information on what issues customers and stakeholders were consulted on and what the results of that consultation were;
- including the results of the company's customer research on its planned level of service;
- providing further evidence to support the company's assumption about the number of customers who will opt for a meter; and
- providing an economic justification and evidence on customers' willingness to pay for the demand management options.

.../...

Andrew Walker, Director – Wholesale Price Control Review
Direct line: 0121 644 7541 Fax: 0121 644 7746
Ofwat, Centre City Tower, 7 Hill Street, Birmingham. B5 4UA
Email: andrew.walker@ofwat.gsi.gov.uk Website: www.ofwat.gov.uk

1. Incorporation of customers' views

Portsmouth Water provides only limited evidence of its engagement with customers in its dWRMP. Section 1.9 (page 23) of the dWRMP explains the approach the company has used to consult with stakeholders, but the draft plan does not provide details of what issues customers / stakeholders were consulted on. There is too little information on how the customer engagement has influenced the plan and whether there is evidence of willingness to pay for the demand-side options in the options appraisal.

The final plan should clearly state the level of service for non-essential use bans and emergency drought orders as well as temporary use bans.

We note that the company conducted customer research on levels of service at the 2009 Price Review (PR09) and that this 'is being repeated for this plan (section 2.2.9, page 35). The final WRMP should provide details of the results of this customer research.

2. Baseline supply-demand balance

The company should try and ensure in its final plan that any transfers to other water companies are consistent with those companies' final plans.

Portsmouth Water predicts a decline in per capita consumption during the planning period, which is based in part on an assumption about the number of customers who will opt for a meter. In its final plan it would be helpful for the company to provide further evidence to support its assumption and to consider the consequences for demand of a lower than expected uptake of meters.

3. Options appraisal

The company forecasts a supply surplus in its baseline scenario and does not include additional supply/demand options in its final plan. The company's options appraisal presents evidence of consideration of metering, leakage reduction and water efficiency options. However, it is not apparent that the company has carried out an economic assessment or sought customers' willingness to pay for these demand management options.

.../...

Letter to Secretary of State for Environment, Food & Rural Affairs
13 August 2013
Page 3

Yours sincerely

Andrew Walker
Director – Wholesale Price Control Review